

# The COMMERCIAL and FINANCIAL CHRONICLE

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## Black Market Trend in Gold And Dollars

Noting recent black market decline in price of gold and U. S. dollars in Europe, correspondent ascribes cause partly to drastic measures in France and other continental countries to keep prices down and control dealings in exchange, and partly to increase of production in Europe. Sees favorable international development in reversal of black market trend.

BASLE, SWITZERLAND.—The last few months, witnessed a sharp fall in the black market quotation of gold, dollar notes and other hard currencies in Europe. While in China their rising trend still continues, on the European continent they have undergone a noteworthy depreciation. Reports from the black markets of Paris, Brussels, Amsterdam and Milan show substantial fall in the price of gold coins, dollar notes, Swiss franc notes and pound notes. (The latter are regarded as a hard currency in countries whose currencies are relatively weak).

On the other hand, the value of pound and dollar notes in the free markets of Switzerland has increased. The discount on these notes compared with the official exchange rates has contracted materially.

These apparently conflicting tendencies form part of the same trend—they indicate a recovery in the weak continental currencies. The reason why the dollar and pound notes have appreciated in

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## U. S. and the Defense of Turkey CIO's 'Mr. Rich' Beats Income Tax

By EGON KASKELINE

Warning of steady deterioration of Turko-Russian relations, political economist declares if United States wants to protect its invested capital and Middle East oil interests as well as promote world peace, we must prevent Turkey from becoming Russian satellite. Calls her vital road-block against Soviet expansion. Citing Turkey's past economic self-sufficiency and nationalism, including discriminations against foreign capital, Mr. Kaskeline predicts change to cooperative attitude, and urges us to welcome closer relations.

The United States has become a Middle Eastern power but the American people in their great majority are not yet aware of this fact. More than \$500,000,000 of American capital has been invested in recent years in a region which is one of the danger-spots in future world developments.

If this country wants to promote a peaceful and stable post-war world, it must prevent Russia

from encroaching on the Middle East. The United States must encourage and assist the nations of the East to remain or to develop into free and prosperous states.

Turkey is the most important test case for American willingness to stay in the Middle East and to defend its political and economic interests in this region. Turkey is the key to the Middle East or rather one of the three keys, the others being Iran and Greece. Turkey is the one point in the Middle East where Russian and American interests clashed openly. If Turkey must give in to foreign pressure and becomes a Russian satellite state, the whole world balance of power will be overturned. The immediate consequence

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\*A talk by Mr. Naess before the Harmonie Club, New York City, March 1, 1947.

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By HARLEY L. LUTZ

Professor of Public Finance, Princeton University

Dr. Lutz comments on an article published in the "CIO News," which pictures devices whereby a "Mr. Rich" with income of "over \$236,000" is enabled to substantially reduce his income tax. Accuses CIO article of libeling Internal Revenue Bureau, since income tax regulations prohibit or disallow presumed deductions taken by Mr. Rich. Denies trend is for rich to buy more tax exempt securities and scores CIO's propaganda under guise of education.

The CIO's campaign to foment class hatred and antagonism was given another boost in the "CIO News" of Feb. 17. This time it was a story of how "Mr. Rich" beats the income tax law. Like the companion piece in an earlier issue, in which the tax case of the little guy was distorted and misstated, this story is filled with fraudulent assertions which are so obvious that they must be

regarded as intentional and not as a product of genuine misunderstanding.<sup>1</sup> They constitute, in fact, a libel on the integrity of the Bureau of Internal Revenue and its staff.

The story of alleged tax evasion by "Mr. Rich" is presented as a double-page spread in the regular issue, with the usual technique of cartoon and caption which is supposed to be so effective at the infantile level. The medium is

(Continued on page 1282)

historical record indicates market's forecast of reduced earnings is correct. Points out distortions resulting from intensity of boom, disequilibria in consumer's goods sector, abnormality of present high capital goods expenditures, and likelihood of recent large export balances tapering off. Concludes during coming months prices, production, employment and national income may decline, whose effect will be accentuated by high corporate break-even points. Feels stock prices are more likely to fall than rise.

It is not often that a more appropriate time can be found to discuss the outlook for securities and particularly for common stocks. Seldom has there been more confusion of thought and diversity of opinion. Business conditions are prosperous—money is plentiful, employment at a new high record, individual and corporate savings huge, corporate earnings high, and dividends increasing. The public needs many things that they have been unable to buy for a long time and there is an inadequacy of housing, automobiles, and many other goods. Yet we find investors and businessmen in a cautious frame of mind and stock prices much below the level of last spring and summer when

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\*A talk by Mr. Naess before the Harmonie Club, New York City, March 1, 1947.

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## Will There Be a Recession in 1947?

By LEO CHERNE\*  
 Executive Secretary, Research Institute of America

Mr. Cherne maintains expectation of early depression is unwarranted, but expresses pessimism over long-term outlook. His reasons for short-term optimism are: (1) improbability of war; (2) improved labor situation; (3) record-high profits; (4) end of New Dealism; (5) enormous backlog of savings; and (6) military pump-priming. As long-term bearish elements he lists: (1) impending financial crisis in England; (2) renewed rise in commodity prices; (3) maldistribution of consumer purchasing power related to wages; (4) permanent tendencies toward unemployment, and (5) illogical debt and tax policies.

I have been requested to give my views, which are highly personal and in some respects undoubtedly no better than yours, on the possibility of a recession in 1947. I will be courteous by exceeding the limits of the topic. Because I think the question of

recession in 1947 is itself a faintest reason to alter my long-range pessimism. But on a shorter run it seemed inconceivable to me that our business community could be as unanimous as it was from September to January in its expectation of recession in 1947, for these reasons—and now I would like to begin an examination of the factors which would make for that recession or avoid it. Business reasoning, and to some

extent financial reasoning last fall, rested primarily on these factors:

In September and October a growing fear of war with the Soviet Union.

Secondly, a growing fear of an outbreak of disastrous labor disputes and the stoppage of industry in large sections through strike.

And third, a growing fear that (Continued on page 1278)



Leo M. Cherne

1947? With as close to a categorical no as you would have been likely to hear.

Last fall, when business pessimism became almost universal, I found myself once again a minority voice. I didn't believe the reasons for pessimism last fall and I think in the main my reasons for disbelief have been supported by the facts. But I am afraid I am doomed to be a minority voice. In 1944 I earned myself an unenviable reputation for pessimism, and I must confess that in any long-range terms I haven't the

\*Special transcript for the "Chronicle" of an address by Mr. Cherne before the Harmonie Club, New York City, March 1, 1947.

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## England Today

By HECTOR McNEIL\*

British Minister of State, and Delegate to UN

British leader denies relinquishing of Empire has been forced on his country by economic and financial factors, but says it has occurred as result of people's mandate when they elected Labor Government. Declares Britain granted freedom to India and Burma of her own free will; hopes they will voluntarily remain within the Commonwealth; and says Britain is not generally withdrawing from areas of operation. Predicts shortness of cash and general economic difficulties will be conquered by his country with same "guts" that overcame her wartime crises.

Because of a series of stories about Greece, Egypt and India and Burma people here in the United States have been relating the two



Hector McNeil

land and the Cameroons, our voluntary decision to negotiate for a new treaty with Egypt — none of these acts, not one of them, has been enforced upon us by our economic, our financial or our commercial situation. These are all decisions taken by the British Labor Government and freely and formally endorsed by the British people at the last election. They are decisions not forced upon us by any physical compelling factors coming from outside.

### No Bullying by Others

I'd like however, to make two points almost in parenthesis. We are a sovereign nation. We are also a people experienced in schooling other people toward self-government. We've had more experience in that complex and responsible business than any other people in the world and more success may I modestly add. And we will not be brow-beaten, bullied and embarrassed into granting self-government by anyone, and I mean anyone, until we, in consultation with the people concerned, have decided that the time for self-government has arrived.

Secondly, because we're not fools and believe our influence to be good, we seek in no way to (Continued on page 1283)

\*An address by Mr. McNeil before Overseas Press Club, March 4, 1947.

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**Outworn Diplomacy Must Be Abandoned!**By ROBERT R. YOUNG\*  
Chairman of the Board, Chesapeake & Ohio Lines

Mr. Young declares continued failures of age-old diplomatic methods can only be remedied by integrity and common sense of the common man. Warns against world domination by any single Power. Declares UN, without enforcement power, is merely "a salon and epitaph of civilization." Proposes UN Charter be specifically amended to (1) accomplish universal disarmament; (2) create a court of world inspection to prevent rearmament; and (3) deprive member states of right to secede from UN.

There is only one thought which engrosses all mankind—to halt the drift to new earth-shattering war.

All signs indicate that America and Russia are each resigned to this eventuality, although not one single convincing reason has yet been advanced why this should be so.

Our diplomats of both parties are strolling arm in arm down the same lover's lane, behind the hedges, where twice before they got the everlasting hell stung out of them.

**Intervention of Common Man**

These age-old patterns can only be shattered by the intervention of the common man. If there is any reason for my being here tonight it must be because I have demonstrated the power of the common man, voiced through editorial pens, such as yours, to attain such things as competitive bidding for securities, and through train service, when all other appeals had failed.

There must be some analogy between the fact that hogs had received better service for generations at Chicago than through-travelers, and the fact that the common man has also been asked to sacrifice everything for war while his leaders refuse to concede anything for peace.

Yes, I am quite ready to accept your invitation to meddle in in-

(Continued on page 1277)



Robert R. Young

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Jules Backman

Associate Professor of Economics, New York University

Dr. Backman denies widespread assumption productivity can serve as miraculous cure-all for economic ills. Asserts price increases rather than productivity improvement made wartime wage increases possible; and termination of price controls coupled with expansion of production will increase overall total of output per man-hour. Concludes cost of living index has reached peak; food, clothing and textile lower prices are probable; hard goods will fall unless further large wage increases occur; and rents will rise. Predicts extent of living costs decline will depend on wages, citing past close relationship between unit labor costs and finished goods prices. Maintains in those exceptional sectors where profits would permit either wage rises or price decreases, national interest requires alternative of lower prices.

A careful reading of current economic literature dealing with wages and prices could lead one to the inescapable conclusion that the solution for all of our industrial ills is found in increasing productivity. Have wages increased too much, let's counter this by an increase in productivity. Are prices too high, let's increase productivity and get them down. Are profits too low, let's increase productivity in order to raise them. Are living standards too low, let's increase productivity. On the basis of many of these statements, it would be easy to believe that productivity is the sulfa or penicillin

(Continued on page 1270)

\*An address by Dr. Backman before American Management Association, Chicago, Feb. 24, 1947.

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Letter to the Editor:

### State Transfer Stamp Tax and Clearing Agents

Fred Fox of P. F. Fox & Co. discusses clearing of isolated transactions by dealers themselves under New York State Tax Department ruling, allowing transfer taxes to be paid by check by clearing agents.

Editor, Commercial and Financial Chronicle:

A few weeks ago you inserted an article to the effect that there seemed to be an inconsistency in the recent ruling by the New York State Tax Department allowing all taxes due on stock transfers cleared by a bank or dealer to be paid by check rather than by gummed stamps. In this article you stated that where a firm who clears through a bank or another firm had written to the State Tax Commission for this privilege, they could not take advantage of this bookkeeping expediency if they subsequently desired to clear a transaction or transactions themselves.

May I call your attention to your innocent misinterpretation of this rule. The banking institutions or firms who clear for dealers would be more than willing to affix the rubber stamp on the delivery slip of transactions cleared by such respective dealer even though this transaction was not cleared by the clearing agent. More so, I'm sure such clearing agent would not exact a clearance charge, and that they thoroughly understand at times when it becomes necessary, most all firms do some small degree of clearing.

The conclusions are simple. The New York State Tax Department, has given the security fraternity the right to use a rubber stamp instead of going through the bother of purchasing stamps, etc., which new ruling has been looked upon with great favor by our business, had a constructive pur-

pose of time saving of bookkeeping details. Therefore, it is paramount to keep centralized the privilege of using a rubber stamp in lieu of the purchase of gummed tax stamps and in that way it saves the firm who desires to clear transactions a great deal of time and trouble.

It is proper at this time to state that Mr. Mortimer Kassel, who has been consulted very often by the investment security fraternity, has been extremely helpful to all in clarifying certain matters which come up so often in this business.

Therefore, any dealer wishing to clear his own transactions, in spite of the fact that he has clearance arrangements, can do so and still take advantage of the new expedient law by having his clearance agent, without charge to him, affix the rubber stamp, thereby eliminating his necessity of purchasing stamps and applying such charge to his clearance account.

Any questions pertaining to this matter will be gladly answered by me.

Sincerely,

P. FRED FOX,  
P. F. Fox & Co.

New York City  
Feb. 26, 1947.

### BUSINESS BUZZ



### Attorney General Goldstein Defends Witch Hunt

In reply to Kernan, Chairman of District Number 13 of NASD, he denies he exceeded his authority when he added a formal order or subpoena to questionnaire sent to upstate security dealers. Says subpoena was no implication of fraud and defends demand for earnings statements and lists of customers. The "Chronicle" still adheres to position questionnaire is a calumny against securities industry.

The "Chronicle" has received copies of letters, dated March 3, exchanged between Francis Kernan, Chairman of District No. 13 Committee of the National Association of Securities Dealers and Hon. Nathaniel L. Goldstein, Attorney General of New York State, in which Mr. Kernan discusses questionnaire sent out by the Attorney General, to all securities dealers in New York State north of New York City area, who are not members of the New York Stock Exchange, accompanied by a subpoena and demanding information which invaded ordinary privacy of business operations. This questionnaire, a copy of which was printed in the last issue of the "Chronicle" (p. 1150) caused general indignation among security dealers throughout the State.

A copy of the correspondence follows:

Letter from Francis Kernan, Chairman of District No. 13, National Association of Securities Dealers, Inc. to Hon. Nathaniel L. Goldstein, Attorney General of the State of New York:

Dear Sir:

There have been brought to our

attention the general questionnaire and order, dated Feb. 11, 1947, which were served by mail by your office on Up-State securities dealers, many of whom are members of this Association. Many of our members to whom the order and questionnaire were sent have registered with us substantial opposition to your action in sending out the order and questionnaire. The purpose of this letter is to explain to you the principal objections that have been raised and to seek clarification of the questions involved. These questions are:

(1) As the questionnaire was accompanied by a formal order, or subpoena, containing recitals of criminal offense if not obeyed and as the statutory authority invoked by you pertains to the investigation of fraud, some resentment has arisen on the grounds that there might be an implication of fraud on the part of security dealers to whom the questionnaire was sent, even though the

(Continued on page 1283)

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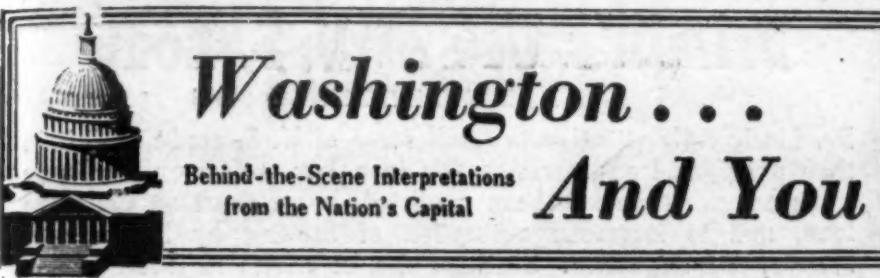
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New Deal law enacted in 1935 authorizing the Federal Government to acquire by 1985 virtually all important hydro-electric projects and thereby dominate the nation's whole economy will be reappraised by Congress because Federal Power Commission officials this year made the mistake of striving to (1) extend their jurisdiction, and (2) expand their budget. Watch for early developments.

FPC strategy backfired when the agency first demanded a 47% budget increase and, second, ordered five small Connecticut manufacturing establishments to apply for Federal license because they produce part of their own electricity with water power. That aroused the ire and suspicion of Connecticut's Republican Representative Miller. He demanded a showdown, got it, salvaged the small manufacturers from bowing to FPC, and spotlighted unpublished FPC operations.

The Federal Power Act authorizes FPC to classify as public utilities and impose a Federal license on hydroelectric projects on navigable streams. New Deal amendments, affixed in 1935, stipulate that after 50 years the

Government may acquire all licensed projects by paying net investment costs but not more than fair value. Written into each license issued by FPC is a contract embodying this Federal capture clause. Thus the Government contrives to seize the hundreds of establishments upon which licenses have been levied by FPC.

Current congressional alarm over this industrial nationalization potential stems from disclosure by Congressman Miller that FPC has hatched plans to foist license and capture contracts on unnumbered small manufacturers hitherto considered immune from FPC intrusion. Before the war, FPC had applied its jurisdiction to only outright hydroelectric

(Continued on page 1266)

## The Fund Opens Shop

By HERBERT M. BRATTER

Mr. Bratter does not expect current inauguration of International Monetary Fund to bring early rush of customers, because of lack of agreement over par values, applications for credits to World Bank, and some countries' preference for first using their gold and hard currencies. Cites potential danger of confusing short-term with long-term risks. Holds Britain's problem and growing worldwide trend toward bi-lateralism will severely test the institution.

The formality of the Fund's hanging up an "Open for Business" sign on March 1 is not expected to bring an immediate rush of customers.

for several Fund as to the immediate role of reasons. The Fund is not handing out any inauguration souvenirs. And some of its more hungry customers either will be for the present prohibited access to the Fund's resources because they have not agreed with the Fund as to their par values, or inhibited because they have already taken a place in another queue: that in front of the loan teller's window at the infant World Bank. Therefore it may be weeks or longer before any conclusions can be drawn within the

Another reason for expecting the dollar-hungry world to curb its demands on the Fund at this time is, according to Fund opinion, that quite a few member countries have indicated that they view the Fund as their second line of monetary defense and will first use what gold and hard currencies they may already have. Were they to borrow from the Fund now and in a few months disclose an increase in their gold and foreign exchange reserves—thus incurring the Fund's repurchase clauses—the Fund, it is said, would thence-

(Continued on page 1276)

Herbert M. Bratter

with the Fund as to their par values, or inhibited because they have already taken a place in another queue: that in front of the loan teller's window at the infant World Bank. Therefore it may be weeks or longer before any conclusions can be drawn within the

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## Observations . . .

By A. WILFRED MAY

### IS THE U. S. MERELY REDISTRIBUTING THE CHIPS? With the World Bank and Fund the New Croupiers

At this time of opening-for-business by the two Bretton Woods institutions—the Monetary Fund and the World Bank—a prognosis of their operations as well as realistic analysis of our long-term foreign trade and exchange status is coincidentally offered by new official figures on the dollar-supply situation.

Apart from the enormous lump-sum amounts we have loaned abroad in the last six years—amounting to 3 1/4 billion dollars for UNRRA and private agencies of relief, and over 66 billions in other ways—the worth of the World Bank's securities must in the long run be assayed in the light of our current and recurrent trade balances. As that institution's new President, John McCloy, remarked last week, its securities must be good as well as attractive; otherwise the loans merely would be a distribution of capital. In Mr. McCloy's concept of the world's present "half-rubble and half-skyscraper state," the new institution is to provide working capital as a bridge to make private capital work. But in this regard, as well as in conforming with the keynote motivation of taking "calculated risk" as lending policy, we must frankly and realistically face the facts-of-life concerning the actual nature and de-

gree of that risk. This must be appraised in terms of the actual return in real wealth periodically receivable in exchange for our outpourings of goods and services, the lack of which is ultimately evidenced in our foreign creditors' shortage of dollars with which to make interest and amortization payments to us.

### The Trade Drain on Dollars

The above-mentioned data which emanate from the Department of Commerce show that last year we supplied to foreign countries goods valued at approximately \$12.3 billion; but received from foreign countries merchandise in the approximate amount of only \$5.1 billion—leaving an excess of goods supplied over goods received of \$7.2 billion. The total credit balance payable to the United States on account of goods and services was \$8.2 billion!

This deficit on the part of foreign countries was financed in three ways: (a) by contributions via UNRRA, Lend-Lease, civilian supplies to occupied areas, totaling \$3.2 billion; (b) by loans and investments, through Export-Import Bank, Lend-Lease credits, surplus property credits, British loan, other funds, totaling \$3.5 billion, and (c) use of foreign gold and dollar resources of \$1.4 billion. The use by foreign countries of credits from the United States Government authorized since the end of the war already has amounted to \$3.7 billion.

The prospect for 1947, as confirmed by Export-Import officials, is that this foreign trade pattern will continue in 1947. Our commercial exports of goods should increase, but other transfers of goods will decline. Our imports are expected to rise: the foreigners' deficit on account of goods and services being estimated at about \$7 billion.

The United States Chamber of Commerce estimates 1947 exports at \$11 billion, and imports at \$6 billion; leaving foreigners' deficit at \$5 billion.

Continuance of this situation means that dollars must be permanently supplied, with foreign countries being enabled to draw down on so-called credits of one kind or another. Whether it be called lending or subsidizing, we will have to make the deficit good by utilizing the facilities of the International Bank, the Monetary Fund, the uncommitted lending authority of the Export-Import Bank, the

(Continued on page 1262)

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## Howard Selover With Bache in Minneapolis

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Howard R. Selover has become associated with Bache & Co., Chamber of Commerce Building. Mr. Selover was formerly with C. S. Ashmun Co. and prior thereto conducted his own investment business in Minneapolis as a member of the Minneapolis-St. Paul Stock Exchange.

## Fred Cordes Now With Bramman-Schmidt-Busch

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Fred H. Cordes is now with Bramman-Schmidt-Busch, Inc., Boatmen's Bank Building, members of the St. Louis Stock Exchange.

## With Glore, Forgan & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—J. Edward Jones, Jr. has been added to the staff of Glore, Forgan & Co., 135 South La Salle Street, members of the New York Stock Exchange.

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**Interest in Higher Commissions Mounts as NYSE Studies Advisability of Revising Rates**

By EDMOUR GERMAIN

However anxious some brokers may be to see the New York Stock Exchange increase the commission rates which may be charged on the transactions in securities listed on the Big Board, many months must pass before there can be any hiking of the rates upwards. The last two times rates have been revised in the past twelve years, six months were necessary to clear the way for any change.

There are certain steps in the process of revising the rates which can not be skipped and the final part of the process—where the members of the Exchange cast votes on the constitutional revisions involved—takes six weeks alone.

The feeling isn't exactly unanimous in favor of any increase, as expressions of doubt as to the wisdom of such a move here and there reveal, but it does seem evident that most members of the Exchange would like to see the rates go up a little. Some time ago, Emil Schram, President of the Exchange, asked the Association of Stock Exchange Firms to make a study of costs in the business and from the findings to determine whether or not any change in the rate might be desirable. The Exchange itself of course has tried to see just where the rates should be revised, if at all. The chief thought here has been to measure the desirability of fixing rates on the basis of dollar volume of transaction.

At the moment, the Association of Stock Exchange Firms is studying the data amassed in its investigation of costs and it appears at least as if the Board of Governors of the Association as soon as it

gets the chance will recommend an increase in rates.

In a sense, the investigation of the entire subject of rate increases, including that part of it related to the matter of costs, is a joint project of the New York Stock Exchange and the Association of Stock Exchange Firms. Neither one hesitates to consult the other—if only for advice—on various questions which arise. The subject is very much in the air, it would appear, tossed about, as it seems to be, from the Exchange to the Association and back and so on ad infinitum.

The job of drawing up a new schedule of rates which will be both fair and productive of maximum revenue is by no means the simplest part of the process. Several possible schedules have been drawn up, it is understood, and the merits of one or parts of one over another or others is now occupying much of the attention of those who are concentrating on the matter. It is not likely, however, that the "Street" will learn much very definitely about the progress which is being made for some time as the Exchange, which must of necessity assume full responsibility for whatever changes may be advocated, naturally hesitates now and would hesitate to put forward for consideration any idea which has been only incompletely formulated.

**Fund Will Not Compete With Bankers: Gutt**

WASHINGTON, March 5 (Special to the "Chronicle")—Questioned as whether the International Monetary Fund is likely to compete with commercial banks or others in the foreign exchange business. Mr. Camille Gutt, managing director of the Fund, informed this correspondent as follows:

"The Fund is not here to replace or to displace the normal economic machinery. On the contrary, it is only here to help it, if necessary. Individuals, traders and private bankers are not coming to the Fund, and countries are not obliged to come to it. They have got to find the necessary foreign exchange, and to do that, they have to use all their energy, their ingenuity, their initiative, their enterprise. The Fund does not, will not interfere with that at all. It just comes in to help when there is a missing link, or a weak link; when there is a temporary difficult situation which may be bridged over. Thereby avoiding hasty steps detrimental to the country concerned and to the other countries. This, I think, has to be stressed very strongly."

"Moreover, the Fund is concerned in studying the member country's balance of payments as a whole, but does not go into individual exchange transactions of private firms or persons."

**Belgium and Dollars**

WASHINGTON, March 5 (Special to the "Chronicle")—Several articles have appeared in the London press lately to the effect that a Belgo-British agreement of recent weeks makes sterling convertible into dollars for Belgian account. Inquiry in Washington suggests that what really has happened is that Belgium a few weeks ago used dollars to set up a sterling fund reconverible into dollars.

**Britain's Use of U. S. Loan**

By PAUL EINZIG

Dr. Einzig calls attention to smaller use of U. S. credit to Britain than anticipated and ascribes this to a less unfavorable adverse trade balance than had been predicted, larger draft on Canadian loan, and to increased absorption of Sterling by Switzerland, Sweden and Argentina. Contends despite efforts to divert British purchases from hard money currencies, it will not be effective, since American tobacco and U. S. films will continue to constitute substantial portion of imports.

Disclosure in the official American statement that withdrawals from proceeds of the U. S. Loan to Britain up to January have been

less than anticipated, came as a surprise to the British public. It was widely assumed until now that, owing to the unsatisfactory distribution of Britain's foreign trade between hard currency countries and soft currency countries.

In any case, the pace at which the proceeds of the loan are drawn upon is believed to have become accelerated since January, and is expected to become further accelerated, as a result of the industrial crisis brought about by the fuel shortage. Exports have dropped sharply, and more dollars are needed for the purchase of coal and other essentials. Moreover, the decision to slacken the export drive in order to increase the volume of goods available in the home market also means that the loan proceeds will have to be drawn upon more extensively. Nor is there any indication of concrete and effective action to divert any substantial quantities of British exports from soft currency countries to hard currency countries.

Even though forecasts that the loan might be exhausted this (Continued on page 1276)

**The International Monetary Fund and World Prosperity**

By CAMILLE GUTT\*  
Director, International Monetary Fund

After reviewing collapse of the international gold standard among trading nations and its adverse effect on world trade and international relations, Dr. Gutt outlines proposed functions and activities of International Monetary Fund. Stresses Fund's purpose is to tide over a country which is temporarily out of balance in exchange operations, and to give advice as well as help to individual members. Concludes success of Fund is dependent largely on United Nations and on ability or willingness of nations to cooperate in both economic and political spheres.

To understand the purposes of the International Monetary Fund, we have to go back some 35 years. I will not say it was the Golden



Camille Gutt

Age, but certainly it was the Gold Standard Age. What was the Gold Standard? I do not want to go here into technical details, but it was the means to ensure the stability of the various currencies in relation to each other and, therefore, to develop world trade.

Trade between people living in different countries becomes difficult and therefore has a tendency to contract if the rate at which the currency of one country can be exchanged for other currencies is liable to sudden or violent changes. Trade, on the contrary, is encouraged if the rate of exchange between the currencies is a stable one. I do not think this needs to be demonstrated. This stability was provided by the Gold Standard. The formal ob-

ligations imposed by it were very light, and were never part of a written constitution. In practice, each of the main trading countries maintained a stable relationship between its currency and the value of gold and, therefore, between the values of all the national currencies which followed the same course — gold being the common denominator.

This often meant that the smaller trading countries actually used the more important currencies instead of their own in their international transactions, and this was facilitated by the fact that the currencies of the stronger trading nations were made available by the way of loans. Those loans took the shape of commercial credit or long-term investments, and the two leaders in that field were France and Great Britain; thus, the British sterling and the French franc in particular became international media of exchange, without any necessity for constitutional formal agreement.

Moreover — and this was one of the essential rules of the game — whenever there was some sign of weakness in the monetary position of one country, it increased its discount rate. This had the double effect — on the one hand,

(Continued on page 1268)

## Eccles Asks End of "Pegged" Short-Term Rate

At Congressional hearing, Chairman of Reserve Board gives notice that end of  $\frac{1}{8}\%$  rate on government certificates is in sight, and higher rate is expected. Opposes restricting Federal Reserve purchases of government bonds to open market on ground it would increase cost of managing debt. Favors removal of limit on cost of F. R. branch bank buildings.

In the course of a hearing before the House Committee on Currency and Banking, Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, announced that the policy of pegging rates on short-term government securities would soon end and he expected a higher rate, perhaps  $1\frac{1}{4}\%$ . Mr. Eccles gives as his main reason the need of

discouraging purchases by commercial banks of intermediate and long-term government issues to replace short-term issues redeemed or transferred to the Federal Reserve System. He pointed out that because of the rather heavy redemptions of short-term certificates, the banks have been acquiring larger amounts of longer term bonds, on which they obtain a higher return, and this does not reduce the problem of

public debt "monetization." He intimated that the Federal Reserve would be opposed to a new issue of fully marketable long-term bonds because it would merely intensify the debt "monetization."

Subsequent to his testimony before the House Committee, Chairman Eccles issued the following statement clarifying his idea regarding methods of restricting monetization of the Public Debt by the banks:

In connection with my statement to the Banking and Currency Committee of the House of Representatives regarding H.R. 2233, I was asked by a member of the Committee questions with respect to proposals made in the 1945 Annual Report of the Board of Governors of the Federal Reserve System regarding the problem of monetization of the debt by banks and ways of dealing with that problem. It should be made clear that H.R. 2233 is not designed to deal with this particular problem, which is much broader and more far-reaching in scope than the bill.

(Continued on page 1274)

(Continued on page 1274)

## Gov. Draper Defends Tobey Bill

Reserve Board official denies proposed legislation would place Reserve System in competition with private banking. Describes basic purpose as replacing present direct-lending authority with FR guarantee of loans from commercial banks to business enterprises.

WASHINGTON (Special to the "Chronicle")—Denying that the Tobey bill (S. 408) introduced on Jan. 27 would place the Federal Reserve banks in competition with private banking, Governor Ernest G. Draper of the Federal Reserve Board said it would rather block the path to government ownership. The bill, on which Senator Tobey's committee is expected to hold

public hearings and call upon the Reserve Board for testimony would substitute for the present direct-lending authority of the Federal Reserve system authorization for the Federal Reserve Banks to guarantee, in part, loans made by commercial banks and other financial institutions to business enterprises.

Governor Draper, who since 1938—when he moved over from the Department of Commerce—has been in charge of "small business" matters at the Reserve



E. G. Draper

Board, feels very definitely that the Tobey bill should be enacted. According to Mr. Draper, there have been expressed several objections to the bill, none of which is valid. He lists these objections as three: first, that "policies which may be justifiable in wartime are not necessarily equally desirable in normal times"; second, loan guarantees are "the first step down the slippery incline which leads to government ownership"; and, third: that the problem of financing small business is "less one of commercial bank loans than equity capital."

On the first point, Governor Draper told the "Chronicle": "The purpose of the bill is to make it possible for private banks to serve constructively the credit needs of business at all times. Since 1934, the Federal Reserve Banks have

(Continued on page 1277)

## U. S. Aid to Greece Awaits Definitive Prog.

WASHINGTON, March 5 (Special to the "Chronicle")—Asked by the "Chronicle" what Congress is likely to do about Britain's Macedonian cry, a prominent Republican today stated that the Congress cannot formulate an opinion as to American policy in Greece until the White House presents a program. Help for the British in Greece, he added, should be taken, however, as a sign that Congress is all set to assist in the solution of the United Kingdom's domestic economic crisis.

In some administration circles, it is stated that the formulation of a financial program for Greece, with the possible exception of a stop-gap program, must await the report of the American Economic Mission headed by Paul Porter.

That report is not expected until some time in April. Meanwhile these administration officials state, if the Congress will enact the pending post-UNRRA relief program, the immediate needs of Greece may be met.

## World Bank Seeking Better Press Abroad

WASHINGTON, March 5 (Special to the "Chronicle")—Mr. Drew Dudley, the World Bank's publicity officer, will leave for London this month to establish contacts with British editors and writers. Mr. Dudley hopes to obtain for the Bank a better press than it has had in the United Kingdom.

Messrs. Horne and Winslow of the International Monetary Fund have returned from London where they were engaged in preparation for the September meeting of the Board of Governors.

## Lewis Whitney Jr. With Nat'l Series Dist.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Lewis J. Whitney, Jr. has become associated with National Series Distributors, 634 South Spring Street. Mr. Whitney was previously Vice-President of Butler-Huff & Co. of California.

## John G. Nesbett Co. Formed in New York

Formation of John G. Nesbett & Co. Inc., investment managers—investment counsel, is announced today. The new company will maintain offices at 25 Broad Street, New York City.

### With Denton & Co.

(Special to THE FINANCIAL CHRONICLE)  
HARTFORD, CONN.—Marshall M. Oppenheimer is now with Denton & Co., Inc., 805 Main Street.

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## Inflation—Let's Look at the Record

By THOMAS I. PARKINSON\*

President, The Equitable Life Assurance Society

Mr. Parkinson refutes RFB Chairman Eccles' statement, "inflation has largely run its course." Points out reduced money supply and bank deposits are result of withdrawal of Treasury surplus cash from banks, used in redeeming government debt. Shows individual and corporate deposits are still increasing and because of banks' recent bond purchases, money supply is increasing.

Some very important statements as to currency and inflation in the United States have recently been made by public officials and bankers. In

the first place, Chairman Eccles of the Federal Reserve Board, when announcing a reduction in stock trading margins to 75%, said, "The supply of money was reduced during the year as a result of a substantial decrease of which must be taken into consideration. A year ago \$148 billions of bank deposits included \$24 billions of United States Treasury deposits. This large Treasury deposit was due to the proceeds of the excess sales of Victory Bonds in December of 1945. These Treasury deposits were potential parts of our money supply, but to the extent of over \$20 billions they never really became a part of it because they were used to pay off more than \$20 billions of government obligations maturing during 1946.

Moreover, the \$142 billions of bank deposits at the end of November, 1946 was made up of \$137 billions belonging to individuals and corporations and only \$5 billions of Treasury deposits. These figures mean that the money supply in the hands of the people at the beginning of 1946 was \$124 billions in bank deposits and \$28 billions in circulation, and that this money supply in the hands of the people had increased by November to \$137 billions in bank deposits and 29 billions in circulation.

Here are the facts taken from the bulletin of Mr. Eccles' own Federal Reserve Board. At the beginning of 1946, the money supply in this country was \$176 billions, consisting of \$28 billions of currency in circulation and \$148 billions of bank deposits. On Nov. 30, 1946 the total money supply was \$171 billions, consisting of \$29 billions of currency in circulation and \$142 billions in bank deposits.

### Reduced Treasury Deposits

This does look like a reduction, but there is an important fact

\*Statement released by Mr. Parkinson through the Continental Press Syndicate, Brightwaters, N. Y.

(Continued on page 1275)

## United Kingdom 4%, 1960-90

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## Gaumont-British Scophony, Ltd.

## British Securities Dept.

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## INDIANA LIMESTONE COMPANY

### Capitalization

APRIL 19, 1926

6% 1st Mtge.	\$15,000,000
7% Debentures	5,000,000
7% Preferred	5,000,000
Common (no par)	1,500,000 shs.
Prior Charges: Interest	\$1,210,000
Preferred	350,000
Total	\$1,560,000

NOVEMBER 30, 1946

General 4/75	\$2,377,000
Preferred	None
Common (\$10 par)	129,370 shs.
Prior Charges: \$95,080	
Total	

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## Public Utility Securities

### Cleveland Electric Illuminating

Cleveland Electric Illuminating Company on Feb. 20, 1947 registered with the Securities and Exchange Commission 1,847,980 shares of common stock, all owned by the North American Company and representing 79.49% of the amount outstanding. North American proposes to give its own stockholders of record March 19 the right to purchase at \$15 one share of Cleveland stock for each five shares of North American stock held. This would account for 1,714,525 of the shares registered. The rights would expire May 27, 1947, although registered holders of unexercised warrants would be entitled to receive shares of Cleveland stock and/or cash on a pro-rata basis after allowing for certain expenses. North American proposes to apply the proceeds (\$25,717,875) to the retirement of bank loans. The remaining 133,383 shares (together with unsubscribed shares) will be sold by North American after the offer to stockholders has expired.

Cleveland Electric Illuminating Co. is an important unit in the North American System, serving Cleveland and adjacent industrial, suburban and rural territory in Northeast Ohio, extending nearly 100 miles along the south shore of Lake Erie. It has 370,000 electric customers, compared with 310,000 in 1935 and 245,000 in 1925. The company's electric sales for 1946 totaled 3 billion kilowatt hours, compared with 1.2 billion kilowatt hours in 1930, while electric operating revenues of \$4.59 million last year compared with \$2.49 million in 1930. During the same period the company's average price per kilowatt hour sold to residential customers dropped from 4.64 cents to 2.98 cents.

In anticipation of continued growth in electric sales, the Cleveland company has announced a construction budget aggregating \$57,700,000, of which \$41,400,000 has been authorized for 1947. Expanded sales operations are stressing the industrial advantages of the Cleveland-Northeast Ohio area. Since V-J Day, over 170 companies have announced plans to invest \$50,000 or more each for manufacturing facilities in the area, aggregating in excess of \$210,000,000 and creating 32,000 industrial jobs, thereby foreshadowing substantial growth of business for the Illuminating Co.

Since 1902 the company has maintained an unbroken record of quarterly payments on its common stock. Over the last ten years, dividends per common share have never been less than \$2.00 and

Earnings, dividends and approximate price ranges have been as follows:

Year	Earned	Paid	Range
1946	\$2.55	\$2.00	50-38
1945	1.95	2.00	50-35
1944	2.05	2.00	41-31
1943	2.14	2.00	37-29
1942	2.15	2.25	35-21
1941	2.54	2.50	41-30
1940	3.08	2.50	48-30
1939	2.66	2.25	44-35
1938	2.44	2.25	39-31
1937	2.56	2.25	48-31

The stock is currently selling at 41 1/2, this year's range being 44 1/2-40 1/4. At this price the stock yields about 4.8% and the price earnings ratio approximates 16.4.

### With Fairman & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Henry J. Tenaglia has become connected with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Tenaglia was previously with Slayton & Co.

### With Pacific Company

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Pacific Company of California, 621 South Hope Street, members of the Los Angeles Stock Exchange, have added Richard A. Thompson to their staff.

### Trading Markets in Common Stocks

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## Effects of Population Changes on Business

Emphasizing the importance to business of trends in population, the March issue of "Business Comment," a bulletin of the Northern Trust Co., observes that population in the United States is now growing faster than in the 1930's, but that a substantially older average population will emerge in the next several decades.

According to U. S. Bureau of the Census figures the population by 1950 will reach 145,500,000 a gain of 13,800,000 over 1940, the Bank's analysis points out. This compares with a gain of 8,900,000 in the decade of the 1930's and 17,100,000 in the 1920's, the largest ten-year gain in the history of the country.

The reason for the more rapid rise of population in the 1940's, according to the article, is found primarily in the higher birth rate. Since 1941 births have averaged about 3 million a year and in 1946, close to 3,300,000 compared with 2,500,000 prior to the war. The death rate has remained low at less than half the birth rate. Net immigration has also been higher, for it was very small in the depression years.

"Businesses catering to the needs of infants and young children are now enjoying large increases in sales," the Bank observed. Currently the number of teen-agers is declined slightly, but after 1950 businesses selling to the needs and desires of this group will have an expanding market, for the number of teen-agers will increase by 15% between 1950 and 1955 and will keep on increasing for some years after that. "It is important to other types of business that, whereas the number of young people between 20 and 30 years of age increased by almost 3 million, or 14% in the fifteen years prior to 1945, the almost certain prospect is that the number in this age group will decline by 2 million, or 9%, in the next 15 years, and then will turn up again. The number in the older age groups will grow most rapidly, on a percentage basis."

Long range forecasts of the Bureau of the Census, as reported by "Business Comment," indicate that the population of the United States will reach a peak of 165 million in 1990 and will then begin a gradual decline. The population will become older, as a lower birth rate and a longer span of life affect the age distribution. The median age of the population is expected to rise gradually from about 30 years at present to 37 years late in the century. The most striking increases in numbers will occur in the higher age groups. In fifty years the number of people over 65 will probably constitute 13% of the total population, compared with 7% now.

"The changes in age distribution of the population as a whole over the immediate as well as more distant future are important to many industries that have a nation-wide market," the article continued. "For local industries, however, as well as in the provision of public services, migration of population from one part of the country to another is far more important." According to "Business Comment," between 1935 and 1940 6,500,000 persons migrated between states, and over half of these were between non-contiguous states. Since the end of the war five million civilians have moved between states, and an additional 5,500,000 have moved from one county to another within a state.

### C. G. McDonald & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Paul E. Breese is now affiliated with C. G. McDonald & Company, Guardian Building, members of the Detroit Stock Exchange.

## McCloy Elected World Bank President

Eugene Black nominated to succeed Collado as U. S. Executive Director. Robert L. Garner appointed institution's Vice-President. Reshuffle follows concern over securities' distribution to investors and the guarding of their interests. Measure introduced permitting purchase by New York insurance companies.

Breaking the ten-week personnel log-jam which has been holding up the operations of the International Bank for Recon-



John J. McCloy



Eugene R. Black, Jr.



Robert Garner

struction and Development, its Executive Directors on February 28, formally announced the election of John J. McCloy as President of the institution, the nomination of Eugene R. Black to the post of United States Executive Director (in place of Emilio G. Collado, resigned), and Robert L. Gardner to the vacant Vice-Presidency.

Mr. McCloy will assume office March 17, Mr. Garner's appointment becomes effective immediately, while Mr. Black's assumption of duties must await his confirmation by the Senate. As the Bank's Articles of Agreement make no specific provision for a Vice-President, Mr. Garner's appointment technically follows Sec. 5(b), which reads:

"The President shall be the chief of the operating staff of the

Biographical notes on the background of Messrs. McCloy, Black and Garner appear on page 1279.

control of the Executive Directors he shall be responsible for the organization, appointment and dismissal of the officers and staff."

While it had been generally supposed that Mr. McCloy's acceptance of the presidency was conditioned on drastic organiza-

(Continued on page 1279)

## State Mediation Board Official Obtains Quick Settlement of New York Cotton Exchange Strike

Dispute between United Financial Employees, AFL, and the Exchange over terms of a new contract stops trading for only a day

—Tuesday—as speedy compromise is reached over several troublesome issues. Financial employees Guild, CIO, loses petitions to State Labor Board for recognition as collective bargaining agent for employees in branches of the Bank of the Manhattan Company and Greenpoint Savings Bank. Union seeks change in jurisdiction of these cases to the National Labor Relations Board.

A strike called early Tuesday morning by the United Financial Employees, AFL, against the New York Cotton Exchange was settled late in the night of the same day.

Through the intervention of Arthur S. Meyer, Chairman of the New York State Mediation Board who stepped into the picture at noon in an effort—and, as events proved, a successful effort—to seek a quick compromise over the troublesome issues that would be satisfactory to everyone concerned.

The dispute, it seems, was not so much over wages as over certain other matters upon which the contract negotiators had been unable to see eye-to-eye in a bargaining session lasting until Monday night, the expiration hour of the old contract. The union delegates left that meeting agreeing to put the unsettled questions to those of its members who are employed at the Exchange for a vote. The balloting took place in a matter of hours, the union reports, and as the employees supported the position of its union leaders, the strike was decided upon. Thus, it is said, Exchange officials who, just a few hours before had been talking contract with the union, when they came to work, unexpectedly found picket lines at the entrances to their building. It immediately came to be felt in some circles that the union had been figuring on calling a strike right along and that therefore it had been bargaining in bad faith.

Mr. Meyer, it is reported, ap-

proached the problem very cautiously, keeping the union and the Exchange representatives, who had responded to his offer of aid in the controversy, in separate rooms while he undertook the task of conveying the feelings and sentiments of the various men present from one to the other of these two groups.

The upshot of these negotiations which lasted for seven hours and more, until well after midnight, that is, into Wednesday morning, was that the union obtained most, though by no means all, of its demands and consequently decided to call off the strike. Thus, yesterday trading was resumed as usual on the Exchange. So far as wages is concerned, the Exchange agreed, for the most part, to increases of from 15 to 18%, that is, to increases of \$6.00 a week and more. In the case of one supervisor, however, an increase of \$25 a week was granted. Bonuses geared to volume of trading were also agreed upon. The Exchange at least takes the view that these salary adjustments had been agreed to prior to the strike.

The union lost out on its demands for a closed shop, though it did get the Exchange to agree to a provision continuing the same maintenance of membership with check-off that had existed in the old contract. The Exchange,

(Continued on page 1292)

## Economists Suggest Detailed Monetary Reform To the President and Congress

Economists' National Committee on Monetary Policy submit two detailed programs to counteract unsound measures that have crept in during New Deal. One program sets forth 10 steps as prerequisite to retention of present international gold-bullion standard. Alternative suggestions recommend that, if gold-coin standard is restored, gold and silver coinage laws be restored to 1932 status, but that no change be made in present gold price.

The Economists' National Committee on Monetary Policy is sending to President Truman and to the members of Congress a detailed program for legislative action to correct monetary errors that have come into being during the past 14 years. These measures are spelled out, with respective observations, by the signing members of the Committee.

The suggestions are classified under two separate "programs".

One of these programs suggests 10 legislative steps that should be taken if the present international gold-bullion standard is to be retained. Repeal of certain sections of the Gold Reserve Act of 1934 are suggested "in the interest of providing a legal basis for confidence in the future stability of the gold-dollar value of an ounce of fine gold."

Other suggestions in both programs contemplate the elimination from our statutes of most of the silver legislation of the past 14 years, the repeal of the Thomas Inflation Act of 1933, and the public resolution of that year providing that all coins and currency of the United States shall be full legal tender.

It is also recommended in both programs that the Senate not revive the Senate Special Silver Committee, the operations of which "have reflected badly upon the objectivity of Congress in matters affecting our monetary system and silver."

Program No. 1 follows:

### PROGRAM No. 1

#### A Monetary Program for the Federal Government Under the Present International Gold Bullion Standard

**Item No. 1**—Congress should repeal Sections 8 and 9 of the Gold Reserve Act of 1934 which give the Secretary of the Treasury the power, with the approval of the President, to purchase and sell gold "at such rates and upon such terms and conditions as he may deem most advantageous to the public interest."

The President, quite properly, was deprived of the power to alter the weight of our standard gold dollar—that is, the gold-dollar price of an ounce of gold (\$35 per fine ounce)—when that portion of Section 12 of the Gold Reserve Act of 1934, relative to his power to alter the weight of the gold dollar, was permitted to expire on July 1, 1943. The Secretary of the Treasury should be deprived of the same power. Otherwise, the Secretary of the Treasury could launch another "Warren gold-buying program," at varying dollar prices per ounce of gold, like that to which the United States was subjected in 1933 and up to the date of devaluation, Jan. 31, 1934. Such a possibility should be eliminated in the interest of providing a legal basis for confidence in the

future stability of the gold-dollar value of an ounce of fine gold.<sup>1</sup>

**Item No. 2**—Congress should repeal that portion of the Gold Reserve Act of 1934 which gives the President authority to provide for the unlimited coinage of silver, to alter the mint ratio between gold and silver, to alter the weight of our silver and subsidiary coins, to institute bimetallism, and, in his discretion, to prescribe mint or seigniorage charges for the coinage of silver.

The laws relating to these matters, as they stood in 1932, should be revived, with one exception as specified in Item No. 3, immediately following.

**Item No. 3**—Congress should repeal the Act of Nov. 1, 1893 (C. 8, 28 Stat. 4), which has been used to convey the impression that it provides for bimetallism in the United States despite the passage of the so-called Gold Standard Act of March 14, 1900 (31 Stat. L., 45).

Any provision for bimetallism in the United States is unsound and should be repealed. The Attorney General of the United States, in an effort to find grounds on which the President might fix the price of newly-mined domestic silver in December, 1933 (proclamation of Dec. 21, 1933), had resort to the supposedly dead law of Nov. 1, 1893, in his opinion of Nov. 8, 1933 (37 Op. Atty. Gen., 344).

**Item No. 4**—Congress should repeal the Silver Purchase Act of June 19, 1934, the domestic silver law of July 31, 1946, and the domestic silver purchase law of July 6, 1939, to the extent that

any of that law of 1939 has not been repealed.

Congress should restore the provisions of the laws as they stood in 1932 (after the repeal of the Act of Nov. 1, 1893) with respect to the purchase of silver by the United States Treasury. That is, the Treasury, when it needs silver for monetary purposes, should purchase it at the market price provided this not exceed \$1.2929 per fine ounce.

Since the Treasury in recent years has bought silver at artificially high prices, Congress has the choice of deciding whether it will direct the Treasury to sell its surplus silver (that not serving as coin and as security for silver certificates and Treasury Notes of 1890) at the market price or at cost. It is here recommended that the Treasury be directed to sell its surplus or so-called "free" silver at the market price, provided this be not less than the cost (average per ounce) to the Treasury.<sup>2</sup>

**Item No. 5**—Congress should repeal all of Title III of the Act of May 12, 1933 (the so-called Thomas Inflation Act, Public No. 10, 73d Cong.).

**Item No. 6**—Congress should repeal all authority to issue national bank notes and Federal Reserve bank notes.<sup>3</sup>

**Item No. 7**—Congress should repeal that part of Public Resolution No. 10, approved June 5, 1933, which provides that all coins and currencies of the United States shall be full legal tender.<sup>4</sup>

(a) Congress should restore those provisions of our earlier legal tender laws which provided that our minor coins—nickels and

(Continued on page 1280)

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## Employment Outlook Good

By HERMAN B. BYER\*

Assistant Chief, Employment and Occupational Outlook Branch,  
Bureau of Labor Statistics

Government economist reviews employment developments since end of war and ascribes postwar absence of unemployment to heavy demands for workers in construction, trade, soft-goods manufacturing and building materials. Holds if price and wage adjustments keep prices within consumer buyer limits, general employment outlook is good and a renewed tightening of the labor market may be in offing.

Before the war came to an end, many analysts held the view that the employment outlook for the first few postwar years would



Herman B. Byer

turned upward so strongly after the war-end cuts in munitions output. First of all peak employment in the major munitions producing industries had occurred back in the latter part of 1943 and substantial cuts were made between then and the end of the war. Thus a good deal of the drop in munitions employment had already been absorbed when peace came.

Secondly the disemployment that did occur in the munitions industries did not nearly keep pace with the drop in output.

Staffs were maintained at surprisingly high levels while plants were reconverting for production of civilian goods. In many cases a trained labor force was probably retained for later use even if it was not fully utilized for a while.

Third—and most important of all—there was still a big demand for labor in trade, service, and non-munitions manufacturing plants which had been short of manpower during the war. Moreover, activities such as construction that had been severely restricted before V-J day, began to expand rapidly. Supporting the demand for labor and reinforced by accumulations of wartime savings was an unprecedented demand for all kinds of goods and services

(Continued on page 1258)

## MORGAN STANLEY & CO.

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## Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

**Bargain Counter**—Latest issue of "Geared to the News" Bulletin Service emphasizes the relative cheapness of over-the-counter securities as a consequence of the recent sharp rise in the listed market—Strauss Bros. Inc., 32 Broadway, New York 4, N. Y.

**Business Prospects Warrant Optimism**—Analysis and survey of outlook—R. W. Pressprich & Co., 68 William Street, New York 5, N. Y.

**Can Companies**—Review of situation and outlook—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

**Coppers**—First of two issues in a new series of investment forecasts "Survey of Selected Corporations" analyzing the 1947 earnings, dividend and market price potentialities for Kennecott Copper Corporation and Anaconda Copper Mining Company—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

**Dominion of Canada and Canadian Provinces**—Handbook showing funded debts outstanding January, 1947—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

**Financial Facts on Texas Corporations 1946**—Historical and financial data on 25 companies whose securities are traded over-the-counter—Moroney, Beissner &

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## THE COMMERCIAL & FINANCIAL CHRONICLE

**Cliffs Corporation**—New developments and discussion of suspension of liquidation plan in favor of merger with Cleveland Cliffs Iron Company—Gottschall & Co., Union Commerce Building, Cleveland 14, Ohio.

**Consolidated Steel Corporation**—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Also available is a study of Wilson & Co., Inc.

**D. L. & W. — Lackawanna RR.** of New Jersey—Analysis—B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.—\$1.00 per copy.

**1947 Appraisal of Railroad Securities**—Reprints of address by Patrick B. McGinnis to the Maine Investment Dealers Association—McGinnis, Bampton & Sellier, 61 Broadway, New York 5, N. Y.

**Railroad Developments**—Memorandum of current events—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a circular on the Middle West Corporation.

**Stocks**—List of 104 issues which the firm considers interesting—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

**Argo Oil Corporation**—Descriptive circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available are circulars on Wellman Engineering; Fashion Park, Inc.; Upson Co.; and Osgood Co.

**Aspinook Corporation**—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on W. L. Douglas Shoe Co.; Hartford Empire; Lanova Corp.; Mohawk Rubber; and Taylor Wharton Iron & Steel; Purolator Products; Upson Corp.; Alabama Mills; Diebold, Inc.; Pfaudler Corp.; United Artists; Vacuum Concrete.

**Boston & Maine Railroad**—Circular—Walter J. Connolly & Co., 24 Federal Street, Boston 10, Mass.

**British Industries Corporation**—Memorandum—Stubner & Company, 60 Wall Street, New York 5, N. Y.

**Central Public Utility** 5½'s of '52 and **Consolidated Electric and Gas Pfd.**—Comprehensive study and analysis in brochure form—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

**City of Philadelphia Bonds**—Valuation and appraisal—Stroud & Company, Inc., 123 South Broad Street, Philadelphia 9, Pa.

Also available are an appraisal and valuation of **Railroad Equipment Certificates** and a compilation of **Pennsylvania Legal Bonds**.

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**Polaris Mining Company**—Analysis—R. E. Nelson & Co., Hyde, Building, Spokane, Wash.

Also available are brief reports on **Clayton Silver Mine** and **Silver Syndicate Mine**.

**Polaroid Corporation**—Memo on current developments discussing growth possibilities—Troster Currie, & Summers, 74 Trinity Place, New York 6, N. Y.

**Prentiss-Wabers Products Co.**—Analytical memorandum—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

**Procter & Gamble Company**—An Investor's View—Brochure—Woolfheimer & Company, 322 Walnut Street, Cincinnati 2, Ohio.

**Public National Bank & Trust Co.**—Year-end analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Also available is an offering circular on **Stern & Stern Textiles Inc.**

**Ralston Steel Car Co.**—Circular—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

**Rockwell Manufacturing Co.**—Analysis—Steiner, Rouse & Co., 25 Broad Street, New York 4, N. Y.

**Schenley Distillers Corporation**—Brochure of articles they have been running in the Chronicle.

Write to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y.

**Showers Brothers Co.**—Analysis—Caswell & Co., 120 S. La Salle Street, Chicago 3, Ill.

**Tide Water Power Company**—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Colorado Milling & Elevator Co.** and **Northern Indiana Public Service Co.**

**Tide Water Power Company**—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

**United Public Utilities Corp.**—Memorandum—L. H. Rothchild & Co., 52 Wall Street, New York 5, N. Y.

**Utica & Mohawk Cotton Mills, Inc.**—Circular—Mohawk Valley Investing Co., Inc., 238 Genesee Street, Utica 2, N. Y.

**West Ohio Gas Company**—Analysis—J. J. O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

**Whitaker Cable Corporation**—Detailed memorandum—Barrett, Fitch & Co., Inc., 1004 Baltimore Avenue, Kansas City 6, Mo.

## Use of "Red Herring" Prospectus in Ohio

James F. Merkel, Chief of Securities Division of Ohio Dept. of Commerce, gives opinion licensed dealers and brokers may circulate "red herring" prospectus provided no attempt is made to sell securities until the effective date of the Ohio registration.

In a circular letter dated March 1, addressed to all licensed security dealers in Ohio, James F. Merkel, Chief of the Division of Securities of the Ohio state government clarifies the use that can be made of the so-called "red herring" prospectus in that State. The text of Mr. Merkel's letter follows:

"To a 11 licensed security dealers:  
This administration is interested in helping dealers with their problems, to minimize red tape or to eliminate confusion and at the same time to guard the interest of the buying public.

"We wish to speak briefly on the use of the prospectus.

"The theory of the Securities Act of 1933 is that full disclosure be given in connection with a security offering. The Securities and Exchange Commission obtains a full disclosure for the issuer, but it remains a fact that often full disclosure is not obtained at the buyer's end and particularly so before a sale is agreed upon. The Securities and Exchange Commission has promulgated Rule 131, which, in brief, permits the sending or giving of a 'red-herring' prospectus to a person before the Federal registration becomes effective. Federal sanction, however, without state sanction either by means of statute or Division ruling would still bar the use of the 'red-herring' prospectus.

"The theory of advancing information to prospective buyers whether in final prospectus form or not, is good. The more information that can filter through to the customer before he is asked to make up his mind, the more intelligent will be the buying. This administration is friendly to the idea that dealers be permitted to get more advance information through to potential buyers. Many

"Therefore, the question can be further resolved to the following: May a prospectus (preliminary 'red-herring' or final form) be distributed in Ohio by licensed dealer and salesmen to members of the public prior to effective registration of the securities with the Ohio Division of Securities.

"To this we conclude that such distribution may be made by Ohio licensed dealers and salesmen to persons residing in Ohio provided: (a) it is a prospectus relating to securities that are or are to be registered with the Securities and Exchange Commission and the Ohio Division of Securities, and (b) the licensed dealer making the offering does not otherwise attempt to sell such securities until the effective date of the Ohio registration.

"Therefore, on and after March 1, 1947 dealers may be guided by this opinion. In line with our policy, we welcome comment. After we have had the benefit of an exchange of ideas between the dealers and the Division, this opinion, as it is or in amended form, can be reduced to a permanent rule.

"(Signed) JAMES F. MERKEL,  
Chief of Division."

## Bill in N. Y. Legislature Would Set Up State Securities Board

Assemblyman William E. Clancy would have a five-man "Securities Control Board" established as a division of the State's Executive Department. Would license dealers in securities.

On Feb. 26, William E. Clancy, a Democratic-Labor Party Assemblyman from Queens County, introduced in the New York Legislature a bill which would set up in the State Executive Department a State Securities Control Board, consisting of a chairman and four additional members, appointed by the Governor with the advice and consent of the State Senate. The bill does not prescribe the specific functions of the Board, beyond the requirement that it grant licenses "to deal in buying and selling of securities." The proposed measure was referred to the Ways and Means Committee of the State Assembly.

The full text of the bill follows:

Int. No. 2631 IN ASSEMBLY By Mr. Clancy

### AN ACT

relating to transactions in respect to stocks, bonds and other securities.

#### CHAPTER 3-C OF THE CONSOLIDATED LAW SECURITIES AND TRANSACTION LAW

- Article 1. Short title; definitions. (§§ 1-2)
- 2. State securities control board. (§§ 3-5)
- 3. Miscellaneous provisions; time of taking effect. (§§ 6-8)

#### ARTICLE I

##### SHORT TITLE: DEFINITIONS

###### Section 1. Short title.

###### 2. Definitions.

\$1. Short Title. This chapter shall be known, and may be cited and referred to as the "securities transaction law."

###### 2. Definitions. As used in this chapter:

(1) "Person" includes an individual, copartnership, corporation, society and joint stock company.

#### ARTICLE II

##### STATE SECURITIES CONTROL BOARD

###### Section 3. State securities control board.

###### 4. Appointment.

###### 5. Expenses.

\$3. State Securities Control Board. There shall be in the executive department a securities control division, the head of which shall be the state securities control board which shall consist of five members, all of whom shall be citizens and residents of the state.

\$4. Appointment. The members of the board shall be appointed by the governor by and with the advice and consent of the senate.

\$5. Expenses. The chairman of the board shall receive a salary of twelve thousand dollars per year; and the other members of the board shall receive seven thousand five hundred dollars per year. They shall also be entitled to their actual expenses in the performance of their duties.

#### ARTICLE III

##### MISCELLANEOUS PROVISIONS; TIME OF TAKING EFFECT

###### Section 6. License required.

###### 7. Statements to be made.

###### 8. Time of taking effect.

\$6. License Required. Any person may make an application for license to the securities transaction board for a license to deal in the buying and selling of securities.

\$7. Statements to be made. In addition to such other information as the state board may determine shall be furnished in any application for license under this chapter, the following information shall be given under oath: The name, age and residence of each applicant and, if there be more than one and they be partners, the partnership name and the age and residence of the several persons so applying, and the facts as to his or their citizenship.

\$8. Time of Taking Effect. This act shall take effect immediately.

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## NSTA Notes

### STANY ALUMNI ASSOCIATION

On Tuesday night, February 25, the Alumni Association composed of present and past officers and directors of the Security Traders Association of New York, Inc., held a testimonial dinner at Whytes Restaurant in honor of Chester E. deWillers, C. E. deWillers & Co., the retiring President, for the year 1946.

Mr. deWillers was presented with a watch in appreciation of his services as President and the following three neophytes were inducted:

John Mayer, Merrill Lynch, Pierce, Fenner & Beane.  
Abe Strauss, Strauss Bros.  
Duke Hunter, Hunter & Co.

### SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York, Inc., will hold its annual dinner on Friday, April 25, at the Waldorf-Astoria Hotel, according to announcement by Leslie Barbier of G. A. Saxton & Co., Chairman of the arrangements committee.

Reservations will be handled by John M. Mayer of Merrill Lynch, Pierce, Fenner & Beane, and hotel accommodations by Frank A. Pavis of Chas. E. Quincey & Co.

## Leo Rich Opens Own Firm

Leo H. Rich, an eloquent advocate of industrial planning within the framework of free enterprise, has opened his own firm of industrial consultants to help American business coordinate its sales, product design and public relations.

Mr. Rich, associated with the Walter Dorwin Teague industrial design firm from 1942 to 1946, announced the organization of his own



Leo Rich

Inc.; and President of The Rich Co., Inc., an investment trust.

During the war he served in the War Department as contract negotiator with the New York Ordnance District. He has also served on the business committee of the National Planning Association on the marketing committee of the Committee for Economic Development, and on the Board of consultants of New York University's Institute of Postwar Reconstruction.

He was a member of Mayor La Guardia's Committee of Business Men for the World's Fair, and assisted in managing the Industrial Exhibition of the Metropolitan Museum of Art in 1940.

He is a member of the American Marketing Association, the American Economic Association, the New York Society of Security Analysis, and the Sales Executives Club of New York.

### With Buckley Bros.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John A. Richards has been added to the staff of Buckley Brothers, 530 West Sixth Street.

### Elgin With Quincy Cass

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—David Elgin has joined the staff of Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

## Business Man's Bookshelf

How Swedish Tax Laws Affect Persons Moving Into or From Sweden or Residing Abroad — Erland Geijer—Supplement A to Svenska Handelsbanken's Index—in English — Ivar Haeggstroms Boktryckeri, Stockholm — paper—2.50 kroner.

Men, Oil and War—D. Thomas Curtin—Petroleum Industry Committee, 539 South Main Street, Findlay, Ohio—cloth.

One Hope of Peace, The—Universal Disarmament under International Control — Norman Thomas—Post War World Council, 112 East 19th Street, New York City—paper—15¢.

Tax Program For A Solvent America, A.—The Committee on Postwar Tax Policy, 50 West 50th Street, New York City—paper.

## Dorsey Phila. Co-Mgr. Of Reynolds & Co.

PHILADELPHIA, PA.—George K. Dorsey is resident Co-Manager of the Philadelphia Office of Reynolds & Co., 1528 Walnut Street, together with Howard S. Rippey.

### Dean Witter Adds Kew

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Stephen M. Kew has joined the staff of Dean Witter & Co., 632 South Spring Street.

### G. J. Case Co. Adds

(Special to THE FINANCIAL CHRONICLE)  
CHICAGO, ILL.—Samuel L. Southard has become affiliated with G. J. Case & Co., 208 South La Salle Street. Mr. Southard was previously with Allen, Swift & Co. and A. C. Allyn & Co.

### Eason With Bailey Co.

(Special to THE FINANCIAL CHRONICLE)  
DETROIT, MICH.—Alfred R. Eason has become associated with Charles E. Bailey & Co., Penobscot Building, members of the Detroit Stock Exchange. Mr. Eason in the past was with Rathbun & Co.

### Joins E. D. Jones Staff

(Special to THE FINANCIAL CHRONICLE)  
ST. LOUIS, MO.—David H. Nelson has become connected with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and St. Louis Stock Exchanges.

### Aeronca Aircraft Corp.

Baltimore Transit Co. Pfd.

Burgess Battery Co. Com.

Chgo. Auto. & Elgin Ry. Units

Decker Mfg. Co. Com.

Howard Industries, Inc.

\*Hydraulic Press Mfg. Co.

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\*Long-Bell Lumber Company

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\*Sioux City Gas & Electric Company  
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\*Tucson Gas Electric Light and Power Company

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## Pennsylvania Brevities

### Philadelphia Company Is "On the Spot"

PHILADELPHIA — Last Friday the Securities & Exchange Commission allowed a 30-day continuance of its corporate simplification proceedings against Philadelphia Company after denying a motion by the company's attorney for a 60-day continuance. The postponement was asked so that the \$370,000,000 Pittsburgh utility holding company could prepare additional evidence in its fight against the limitation of its func-

March 31.

Under sections 11 (b) 1 and 11 (b) 2 of the Holding Company Act, the SEC is seeking a correction of many alleged undue and unnecessary complexities in Philadelphia Company's corporate structure and a redistribution of voting power which, at present, is averred to be unfairly and inequitably distributed among security holders.

In its Notice and Order, dated Dec. 5, 1946, the SEC demanded that Philadelphia Company, unless it should elect to divest itself of all its electric properties and to continue in business only as a gas utility company, must show cause why an order should not be entered directing that the company liquidate and dissolve.

### Philadelphia Company's Rejoinder

Under date of Feb. 10, Philadelphia Company mailed to its stockholders a printed copy of the SEC Notice and Order and the company's 70-page intended rejoinder. In the latter, the company both admitted and denied a number of averments of both fact and law and presented its own corporate simplification plan.

If the terms of this plan should be acceptable, Philadelphia Company contemplates that it would be the direct owner of nine companies including one electric utility company, two gas utility companies and six non-utility companies, which companies would comprise four functional groups: an electric, a gas, a transportation and an auxiliary group.

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ganization of Pittsburgh Railways. Foremost among the "complexities" to which the Commission objects in respect to Philadelphia Company's corporate set-up, is the maze of inter-company guarantees, leases, operating agreements, ownerships and partial ownerships which comprise the transportation system. An essential part of Philadelphia Company's voluntary plan of simplification is the immediate and complete financial reorganization of the railways. This program happily coincides with recent court decisions which brushed aside the corporate entities of some 50-odd underlier companies and ordered that, for purposes of reorganization, they be considered as a unit. Thus, for the first time in almost nine years, reorganization proceedings have been placed on a time-table ordered by the Bankruptcy Court. The SEC, the Philadelphia Company, the Trustees, the City of Pittsburgh and the public holders of securities are united in the common aim of devising and adopting a fair, equitable and feasible plan of reorganization.

It is not possible at this time to predict the form which a final plan will take. It is of importance, however, to note that the capitalizable assets of the system properties plus the cash of over \$23,000,000 now in the hands of the Trustees together constitute an amount which will greatly facilitate and should make possible the adoption of any reasonable plan.

**Allentown-Bethlehem Gas**  
Seven institutional holders of Allentown-Bethlehem Gas Co. 3 1/4% first mortgage bonds have petitioned the SEC to approve a voluntary reduction in the interest rate to 3%.

### Philadelphia Suburban Transportation

Per share earnings for 1946 on 48,000 shares Philadelphia Suburban Transportation Co. common stock increased to \$9.64 compared with \$3.99 per share reported for 1945. The marked improvement was the result of elimination of excess profits taxes and substantial interest savings effected by last year's refunding program.

### "Gas House Gang"

The Equitable Gas Co., Manufacturers Light & Heat Co. and Peoples Natural Gas Co., all of Pittsburgh, have been granted permission by the Pennsylvania Utility Commission to control the use of natural gas for heating of homes.

The step was taken to protect the industrial users of gas. Recent deficiencies in the supply have been attributed to the lack of pipe and to increased demand for domestic uses.

H. G. Batcheller, President of Alleghany Ludlum Steel Corp., announced that his company wherever possible would convert from natural gas to fuel oil in order to avert future production shutdowns. The first such change-over is already under way at the

Alden Park Land 3s 1954  
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company's West Leechburg, Pa., plant.

### Warner-Wawaset Merger

A "down-stream" merger of Wawaset Securities Co., which controls Warner Company through ownership of approximately 51% of Warner Company common, and its operating subsidiary will be recommended by the boards of both companies to their respective stockholders meetings next month.

Under the terms of the proposed plan, each of the 126,823 shares of Wawaset common would be exchanged for 1.9 shares Warner common. No change would be made in the 475,284 shares of Warner stock outstanding. Dealers believe that in distributing the shares now held by Wawaset, a broader market will develop for the Warner shares.

A ruling of the Commissioner of Internal Revenue has been obtained to the effect that such merger would not result in tax consequences to either of the companies or their stockholders.

### It's-About-Time Department

Philadelphia is about to lose one of its long-standing but dubious banking distinctions. The big bank with the cumbersome name, the Pennsylvania Company for Insurances on Lives and Granting Annuities, has asked its stockholders to approve a change to Pennsylvania Company for Banking & Trusts.

### Philco Corp.

Faced with losses through the first nine months of 1946, Philco Corp. "poured it on" to the tune of \$45,000,000 sales in the last quarter to bring the year's total to \$117,000,000. It is indicated that net income for 1946 will be approximately \$2,600,000, equivalent to \$1.80 per common share, comparing with \$1.73 per share earned in 1945. Up to the end of September, Philco reported a net loss of \$20,478 after estimated tax credits of \$290,000.

Thus far in 1947, the company is understood to be earning at about the rate of the final 1946 quarter. Reflecting the optimistic outlook, directors have increased the quarterly dividend rate on the common shares from 20 cents to 37 1/2 cents, thus placing the stock on a \$1.50 annual basis.

Bethlehem Steel Corp. announces that it will construct a battery of coke ovens at Johnstown, Pa., to cost \$4,974,000.

### Alan Wood Steel

At the annual meeting March 19, stockholders of Alan Wood Steel Co. expect to hear a progress report from a committee appointed last year to consider possible plans for clearing the preferred dividend arrears and providing funds for rehabilitation and expansion.

Earnings for 1946 are reported to be better than for any year since 1941. It appears that \$11.05 was earned on the 71,824 shares of 7% preferred. As of Dec. 31, dividends accumulations amounted to \$55.50 per share.

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**Legal Investment, in our opinion, for Savings Banks and Trust Funds in New York, Michigan, Connecticut and certain other States and for Savings Banks in Massachusetts**

These bonds, to be issued for Veterans' purposes, in the opinion of counsel will constitute valid and legally binding obligations of the State of Michigan, and for the payment of the principal and interest thereon the full faith and credit of the State are pledged.

## AMOUNTS, MATURITIES AND PRICES

(Accrued interest to be added)

Amount	Due	To Yield	Amount	Due	To Yield	Amount	Due	To Yield or Price
\$10,800,000	1948	.65%	\$10,600,000	1954	1.15%	\$11,800,000	1960	1.45%
9,000,000	1949	.75	10,800,000	1955	1.20	12,000,000	1961	100
9,000,000	1950	.85	11,000,000	1956	1.25	12,300,000	1962	99½
10,000,000	1951	.95	11,200,000	1957	1.30	12,600,000	1963	99
10,000,000	1952	1.05	11,400,000	1958	1.35	12,900,000	1964	98½
10,000,000	1953	1.10	11,600,000	1959	1.40	13,000,000	1965/1952	98

The bonds maturing in the year 1965 will be redeemable by lot at the option of the State of Michigan at par and accrued interest on any interest payment date on and after March 15, 1952.

*When, as and if issued and received by us and subject to approval of legality by Messrs. Wood, King & Dawson, New York, N. Y.*

*The offering circular may be obtained in any state from only such of the underwriters, including the undersigned, as may legally offer these bonds in such State.*

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Blyth & Co., Inc.	The First Boston Corporation	Lehman Brothers	Harriman Ripley & Co. <small>Incorporated</small>	Smith, Barney & Co.
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Eldredge & Co. <small>Incorporated</small>	Geo. B. Gibbons & Company <small>Incorporated</small>	Francis I. duPont & Co.	Roosevelt & Cross, Inc.	Chas. E. Weigold & Co. <small>Incorporated</small>
C. F. Childs and Company <small>Incorporated</small>	Dominick & Dominick	W. H. Morton & Co. <small>Incorporated</small>	Commerce Union Bank	G. H. Walker & Co. <small>Incorporated</small>
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The Wisconsin Company	William Blair & Company <small>Chicago</small>	Kebbon, McCormick & Co. <small>Chicago</small>	National City Bank <small>OF CLEVELAND</small>	Hayden, Miller & Co. <small>Cleveland</small>
Cray, McFawn & Company <small>Detroit</small>	Campbell, McCarty & Co. <small>Incorporated</small>	Donovan, Gilbert & Co. <small>Lansing</small>	Nordman & Verral <small>Incorporated</small>	S. R. Livingstone & Co. <small>Detroit</small>
				E. H. Schneider & Co. <small>Kalamazoo</small>

## Real Estate Securities

While trading in real estate common stocks is now very largely confined to a few professionals in the securities business, there is a suggestion—though admittedly an extremely faint one—among the factors which can conceivably have a bearing on market trends that at some time in the indefinite future public interest in real estate common stocks may assume proportions which, compared to present dimensions, must seem of noticeable and significant size.

The real estate securities market is primarily a bond market and common stocks will come more to the fore as bond debt is reduced or retired. At one time last year, there was a spurt of market interest in common stocks. Reports were numerous that hotels and commercial buildings generally were making substantial progress in paying off their indebtedness with high earnings and investors naturally speculated as to what this might mean in terms of higher equity values.

It is probably best that it is the professionals who are doing most of the buying and selling of the common stocks. It is they, after all, who, living day-after-day and year-after-year with the financial problems of the various properties whose securities are on the market, are most conversant with the intricacies and what to the casual observer must and does seem as the confusing detail of the many and novel reorganization arrangements, the refundings, recapitalizations and all the other legal and financial maneuvers that have been used to keep heads well above the water of insolvency throughout the entire real estate field in the last couple of decades.

It is not surprising, however, that non-professional investors may at times wonder just a little whether in by-passing real estate common stocks they aren't making something of a mistake. There is some question, for instance, as to just what extent the public will be permitted to participate in the financing of the large volume of new construction of hotels and commercial buildings, but especially the latter, that is expected to get under way in about three years or so. According to a widely held view, the insurance companies, which are loaded with money are more than likely to be entirely willing to assume all the financial risks involved in these operations.

Investors in the real estate promotions of the twenties may have taken a beating but of course this does not imply that all real estate financing is of necessity inordin-

nately exposed to crushing losses. Real estate management has learned much from its experiences with depression economics and, if the public is given a chance to take part in the financing of new construction during the next few years, it may be able to share generously in the benefits resulting from the sounder business procedures which these experiences have taught the business to follow. However, there is no certainty that contractors and building promoters will feel any need to turn to the smaller investors for any considerable amount of funds and, if the general public is left out of the financing plans, existing real estate common stocks could assume a certain scarcity value that might enhance their attractiveness all around.

The realization is growing among investors, too, that some real estate common stocks, that is, those which, in reorganizations, have been given wholly or partially in exchange for bonds originally outstanding, can be liquidated at increasingly better prices. As financial structures improve through debt reduction and the like, equity interests naturally become more attractive. Some institutional and other investors, such as investment companies, realizing this have been acquiring the stock controlling various properties.

Real estate securities continue to hold their own well against certain bearish trends that have manifested themselves in the stock market as a whole. Though there has been at times some tendency toward weakness in real estate along with securities in general, real estate has to a considerable degree held firm and, in numerous cases, actually shown improvement, even if only slight improvement. The various factors underlying the real estate securities market would thus seem to possess encouraging features which could very well be absent in some other sections of the securities market.

### Mathews Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Edward E. Mathews Co., 53 State Street, has added to their staff Aime E. DeBoisbriand, Charles J. Demarais, Nathaniel C. Foss, Carl W. Harris, Harold L. Kidd, Joseph S. Manazer, Robert E. O'Toole, George C. Schultz, John H. Turner, and Edwin Wood.

### John D. Scott in Houston

HOUSTON, TEX.—John D. Scott has formed John D. Scott and Co. with offices at 606 Harold Street, to engage in the securities business. Mr. Scott was formerly an officer of J. R. Phillips Investment Company, Inc.



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Tele. SF 61 & 62 EXbrook 8515

### Bankers Trust Group Offer \$200,000,000 Michigan Bonus Bonds

The largest single issue of corporate, State or municipal bonds to be marketed through underwriters up to the present time was offered March 5 with the public sale of \$200,000,000 State of Michigan 1½% veterans' bonus bonds by a nationwide group of 212 underwriters headed by Bankers Trust Company; The National City Bank of New York; The Chase National Bank; Halsey, Stuart & Co. Inc.; First National Bank, New York, and The First National Bank of Chicago. The bonds, due March 15, 1948-65, are priced to yield from 0.65% for bonds maturing in 1948 to a dollar price of 98 for the 1965 maturity.

Bonds maturing in 1965 will be redeemable by lot at the option of the State on and after March 15, 1952, at par and accrued interest.

The issue was awarded to the group at competitive bidding on March 4 on a bid of 100.266 with a net interest cost to the State of 1.47%. Proceeds from the sale of the bonds will be used by the State to finance in part its bonus plan for veterans of World War II resident in Michigan.

### Dempsey & Co. Offers

### Hercules Steel Stock

Dempsey & Co. is heading a nation-wide investment banking syndicate offering today (Thursday) 230,000 shares of common stock of the Hercules Steel Products Corporation at \$4.375 per share. Associated with Dempsey & Co. in the underwriting are: Herrick, Waddell & Co., Inc.; Mason Brothers, Courts & Co.; Johnston, Lemon & Co.; and Straus & Blosser.

Located at Galion, Ohio, the Hercules Steel Products Corp. is one of the largest manufacturers of steel dump truck bodies and hydraulic hoists, metallic vaults, coal conveyors with hydraulic motors, and other allied steel products. Proceeds of the financing are to be used to reduce bank loans and provide additional corporate funds for expansion.

### With John A. Dawson Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Frederick F. March has become associated with John A. Dawson & Co., 1 North La Salle Street. Mr. March was previously with King Merritt & Co. in Los Angeles and prior thereto with Union Security Co. of Chicago.

### With Strauss Bros. Inc.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—William H. Bryant is now with Strauss Bros. Inc., Pan American Bank Building. Mr. Bryant was previously with Blair F. Claybaugh & Co.

### With William Blair & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Edward McC. Blair is with William Blair & Co., 135 South La Salle Street, members of the New York and Chicago Stock Exchanges.

### OFFERINGS WANTED

Broadway-Trinity Pl. 4½'s 1963 WS  
Broadway & 41st St. 4½'s 1954  
Gov. Clinton 2s 1952 WS  
Grant Bldg. 2½'s 1957 WS  
Hilton Hotels Preferred  
Hotel St. George 4s 1950  
Hotel Waldorf-Astoria Stock  
Lincoln Bldg. 5½'s 1963 WS  
New York Towers 2s 1960 WS  
870 7th Ave. 4½'s 1957 WS

Pittsburgh Hotels VTC  
Roosevelt Hotel 5s 1964  
Roosevelt Hotel Common  
Sherneith Corp. 5½'s 1956 WS  
Wall & Beaver St. 4½'s WS  
Westinghouse Bldg. Par. Cts. CBI  
40 Wall St. 5s 1966 WS  
51 East 42nd St. 3s 1956 WS  
61 Broadway Corp. Stock

### AMOTT, BAKER & CO.

Incorporated

150 Broadway  
Tel. BArclay 7-4880

New York 7, N.Y.  
Teletype NY 1-588

## Employment Outlook Good

(Continued from page 1253)

that had been unavailable or in short supply for 3 or 4 years.

### Peak Employment in 1946

By the Spring of 1946, total civilian employment surpassed the war-end level. Even last month at the depth of the winter seasonal slack period in farming, construction, and other outdoor industries there were 55½ million people employed—about 2 million more than on V-J Day and 4½ million more than a year ago.

Virtually all of the employment gains since the end of the war have taken place in nonfarm industries. Even though almost a million World War II veterans worked on farms last summer there was little net increase in agricultural employment because there were declines among women, teen-age boys, older men, and foreign workers who had been recruited to meet peak seasonal needs during the war.

All major divisions of nonfarm employment have shared in the postwar increases except the principal munitions-producing industries and the Federal Government. Losses in war activities have been overbalanced by substantial gains elsewhere, especially in construction, trade and service, soft-goods manufacturing, and building materials.

With the help of this favorable economic climate the reabsorption of veterans into civilian jobs proceeded as smoothly as the most optimistic of us could have predicted. Perhaps the most eloquent testimony to the initial success of our reconversion effort is the fact that there were almost 11 million ex-servicemen employed last month.

### The Present Picture

But, encouraging as this picture is, it is only a good beginning. There are still almost a million veterans currently seeking employment. In addition there are 1¼ million ex-servicemen going to school who in the next few years will be in the market for jobs commensurate in skill and earnings with their education and training. Whether they find these jobs depends on whether we can succeed in keeping the current high rates of economic activity.

The President, in his economic report to the Congress, pointed out the elements of strength and weakness in the current economic situation. "On the plus side of the economic ledger," says the President's report, "we possess a fabulous wealth of resources. Our industrial plant is larger and, in many cases, better than ever before. Funds for business expansion are ample and profit incentives are high in most lines. Our labor force has greatly increased its number of semi-skilled and skilled workers. The spending power of consumers, as a whole, is much higher than it ever was before the war. Consumer desires are fortified by a backlog of unsatisfied wants, particularly for housing, commercial construction, automobiles, household appliances, furnishings, and other durable goods. There are long-deferred and needed public works. . . . There is a strong and sustained foreign demand. . . . We can be optimistic about the desire to buy, because of the higher standards of living which almost all of our people have recently enjoyed and which they do not want to forego."

On the other hand, the President pointed to the weaknesses which can—though they need not—lead us into recession: "Chief among the unfavorable factors is the marked decline in real purchasing power of great numbers of consumers, resulting from the large price increases in the second half of 1946. . . . If price and wage

adjustments are not made—and made soon enough—there is danger that consumer buying will falter, orders to manufacturers will decline, production will drop, and unemployment will grow. . . .

"Labor-management strife, with severe work stoppages, remains a possibility. This would directly interfere with production or employment by creating or intensifying shortages. . . ."

Briefly then, high and rising prices and the resulting crimp in consumer purchasing power appear to be the chief dangers confronting us today. The threat of a breakdown in industrial relations which would lead to serious work stoppages now seems more remote than it did a few months ago. There have been no major strikes this year; and the recent interim agreements in construction, steel, automobiles, and rubber suggest that both management and labor are turning their attention more and more to the difficult but profitable business of making collective bargaining work.

### General Outlook Good

Thus, assuming that price and wage adjustments are made soon enough to prevent a damaging slump in consumer buying, the general outlook for employment is good. The strong demand for consumer durable goods and building materials will provide a firm base for continued high employment in the heavy manufacturing industries. Even if there should be a slackening of the demand for industrial plant and equipment, which is possible, expanding production of automobiles, refrigerators, and housing equipment will very likely offset it. Furthermore, new plants and equipment, built during 1946, are coming into production and will need to be manned.

In the manufacture of soft goods, and in the related trades and service industries the outlook is less clear. The initial decline of purchasing power has already been felt in such luxury lines as furs, beverages, and amusements, and this we must take as a warning signal. While these in themselves affect only a small fraction of the labor market, we must recognize the decline in sales in these trades as a portent of what may happen when purchasing power begins to wear thin. Increased supplies of durable goods are beginning to compete for the available supply of consumer dollars. While there is still a strong demand for good quality, unless price adjustments are made, we may have to face declines of sales and employment in such industries as men's and women's clothing, luxury foodstuffs, and amusements and other dispensable services.

### Construction to Expand

There is reason to expect that construction will continue to expand up to the limits of available materials and labor. This area of our economy is of particular importance to the veteran. We cannot blink at the fact that housing for veterans remains a critical problem in many areas. A substantial proportion of our returning servicemen have had to share quarters with relatives or friends; many are still living under overcrowded conditions, and many reside in dwellings requiring major repairs.

Nevertheless we have made considerable progress. Let us keep in mind that the extraordinary demand for housing is at a level never before reached in this country. Despite shortages of building materials and equipment, transportation difficulties, and other snags of the reconversion period 670,000 new permanent homes were started and 450,000 completed in 1946. This is about two-

thirds the number completed in 1941, the best recent home-building year.

Barring unforeseen obstacles we expect about a million new permanent dwelling units to be started and 950,000 completed in 1947. This would compare favorably with the previous all-time peak in residential construction reached in the mid-twenties. About one-fifth of the new units will be in apartments and other multi-family structures which are usually built to rent.

Although the greatest increase is expected in residential construction this year, there will also be considerable expansion in commercial building, highways, and public utilities construction. We expect that more than 2½ million workers will be needed on the site of new construction at the height of the season next September. This exceeds last year's top figure by three-fourths of a million and approaches the high levels of the twenties.

Expenditures for new construction this year will total almost \$15½ billion—the greatest dollar volume in the country's history. But this does not mean that the physical volume will hit a new high, since it will take more dollars than in former years to pay for the necessary materials and labor. If we adjust for differences in price level, we find that the 1947 program is about 10% below that carried out in 1942 when war construction hit its peak.

The deferred demand for construction should provide a strong support for the American economy—not only this year, but for a number of years to come. Most of you will recall that it was a dominant force in the business upswing from 1922 to 1925. But rising costs could seriously threaten high volumes of housing activity. In 1919-1920, residential construction was the first sector of demand washed out by rising prices and also the first to rebound with an indication of declining prices.

#### Labor Supply

So much for the things that will affect labor demand. Now let us take a look at the supply.

The rapid demobilization of the Armed Forces and the absorption of veterans into civilian life have left the civilian labor force some 5 million greater than it was at the end of the war. These changes, during the war and since, provide some clews to the shifts which are taking place in the labor force. Of the estimated 8 million men

and women whose entry into the market during the war supplemented the normal working population, less than 2 million remain. The greatest decline in the numbers of these "extra" workers in the past year has been among youths of school and college age. Next in importance has been the retirement of 1½ million women between the ages of 20 and 35. There are, as a matter of fact, now 1 million fewer women of this age in the labor market than we might have expected on the basis of prewar conditions. In contrast, only half of the women over 35, and virtually none of the middle-aged men, who entered the labor market during the war have since retired from it. It is unlikely that they will, as long as there are good jobs for them.

It is estimated that the normal growth of population of working ages will add about one-half million to the labor supply in 1947. A great part of these, of course, will be available for employment at the mid-year, after the close of the school term. In addition, some part of the 1¼ million veterans who are now attending full-time school will complete their schooling and return to the labor market during the year.

We can be less certain about the number of women who will become available for employment during the year. The elasticity and adaptability of the female labor supply were amply demonstrated during the depression and during the war. The high rates of marriages and births will probably limit the number of young women who will be available during the next few years; but there is still a great reserve of women above 35. How many of these will actually become available will depend largely on the willingness of employers to use them in jobs that make it worth their while to work.

Currently the labor supply situation seems to be a bit easier than it has been in recent months. Surpluses of unskilled and semi-skilled workers have been reported in many areas, though shortages persist in certain skilled occupations and in some of the less attractive types of jobs.

Much of this easing, however, is clearly temporary. Many workers now idle in industries such as construction will be rapidly absorbed in the coming spring months and more will be needed. Moreover, basic industries like iron and steel are now producing at record peacetime levels. Pros-

## Sprout Reports Drop in Banking Profits Related To Capital Funds

Excepting in case of large New York City Banks, cause was relatively large gains in capital funds. Postwar decline was particularly sharp in New York City. Forty-six per cent of banks in Second Federal Reserve District increased dividends, report for 1946 shows.

In 1946, net profits after all charges, but before payment of dividends, averaged 11.2% of capital funds for all member banks in the Second Federal Reserve District, compared with an all-time peak of 11.6% in 1945, avoiding to an announcement by Allan Sprout, President of the New York Federal Reserve Bank Feb. 25.

These percentages represent unweighted averages of the percentages for individual banks; the ratio of aggregate profits to aggregate capital funds, which is dominated by the figures for the New York City banks, receded sharply in 1946.

Except for the 22 large New York City banks, those with deposits in excess of \$100,000,000, the principal cause of the moderate decline in the rate of return on average capital funds was the failure of profit increases to keep pace with the percentage gain in average capital funds.

Mr. Sprout pointed out that just as the large New York City banks led the way toward higher profit rates in the war period, they also led the change to lower profit rates in 1946. Their average profits, relative to capital funds, were just under 8% last year compared with nearly 11% in 1945.

On the other hand, the smallest banks in the District, those with

less than \$2,000,000 of deposits, showed an actual increase in 1946—from 9.2% to 10.4%. Banks of intermediate size had slightly lower profit ratios on the whole. Their actual profits increased in many cases, but not so much as their capital funds.

In the early war years, the large New York City banks invested their excess reserves more quickly and fully than the other member banks in the District. They also made greater use of the war loan mechanism in paying for government securities and participated to a greater extent in financing war contractors and making loans against government securities. Owing to these factors and to greater proportionate profits from security sales, net profits of the New York City banks advanced during the first year of this country's participation in the war. Net profits of the smaller banks declined as they substituted relatively low-yielding government securities for higher-yielding loans and made increased interest

(Continued on page 1284)



Allan Sprout

This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities.

The offer is made only by means of the Prospectus.

#### NEW ISSUE

March 6, 1947

140,000 Shares

## Oklahoma Gas and Electric Company

### Common Stock

(par value \$20 per share)

Price \$39.50 per share

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which such Prospectus may legally be distributed.

#### The First Boston Corporation

Goldman, Sachs & Co.

Kidder, Peabody & Co.

W. C. Langley & Co.

Lazard Frères & Co.

E. H. Rollins & Sons

Stone & Webster Securities Corporation

Incorporated

Central Republic Company

Clark, Dodge & Co.

F. S. Moseley & Co.

Stern Brothers & Co.

Incorporated

Tucker, Anthony & Co.

American Securities Corporation

R. J. Edwards, Inc.

Newhard, Cook & Co.

Salomon Bros. & Hutzler

Stroud & Company

H. I. Josey & Co.

Incorporated

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E. W. Clucas & Co.

Clement A. Evans & Co.

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Fahy, Clark & Co.

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Hawley, Shepard & Co.

Henry Herrman & Co.

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R. H. Johnson & Co.

A. E. Masten & Company

Albert McGann Securities Company, Inc.

O'Brian, Mitchell & Co.

Rambo, Close & Kerner, Inc.

Scott, Horner & Mason, Inc.

Walter-Webb & Company

DeYoung, Larson & Torgna

Doolittle, Schoellkopf & Co.

Lester & Co.

Miller & George

Perrin, West & Winslow, Inc.

This advertisement is not, and is under no circumstances to be construed as, an offering of the following securities for sale or as a solicitation of an offer to buy any of such securities.

The offering is made only by the Prospectus.

230,000 Shares

## Hercules Steel Products Corporation

### Common Stock

Price \$4.375 per Share

Copies of the Prospectus may be obtained from such of the undersigned only as are registered dealers in securities in this State.

Dempsey & Company

Herrick, Waddell & Co., Inc. Mason Brothers Courts & Co.

Johnston, Lemon & Co.

Straus & Blosser

March 6, 1947

## Bank and Insurance Stocks

By E. A. VAN DEUSEN

### This Week — Bank Stocks

There has been a slow and hesitant upward trend in the market thus far this year. The Dow-Jones Industrial Averages closed 1946 at 177.20, moved seven points to a high of 184.49 on Feb. 8, but subsequently declined to 178.90 on Feb. 28, a level approximately 1% above that of Dec. 31, 1946.

New York City bank stocks, however, have not duplicated this performance; on the contrary, as measured by the "American Banker" Index, they have rather persistently and consistently declined from 44.3 on Dec. 31, 1946 to 42.8 on Feb. 28, 1947, a drop of 3.4%. The market performance of individual bank stocks is as follows:

	Asked Price 12/31/46	Market Change 2/28/47	Current Dividend Yield
Bank of Manhattan	30	28	4.3%
Bank of New York	380	360	3.9%
Bankers Trust	45 1/4	44 3/4	4.0%
Central Hanover	106 1/2	104 1/2	3.8%
Chase National	40 1/2	39 1/2	4.0%
Chemical Bank & Trust	47 1/4	44 1/2	4.1%
Commercial National	45 3/4	45	3.5%
Continental Bank & Trust	20 1/2	18 3/4	4.3%
Corn Exchange	56 1/4	60	4.0%
First National	167 1/2	1580	5.1%
*Guaranty Trust	343	304	4.0%
Irving Trust	19 1/2	18	4.4%
Manufacturers Trust	60	58	4.1%
National City	46 1/2	42 1/2	3.8%
New York Trust	101 1/2	98 1/2	4.1%
Public National	45 1/2	44	4.5%
U. S. Trust	755	695	5.0%
Average of 17		-3.8%	+4.2%

\*Adjusted for 11.11% stock dividend.

This tabulation shows a very irregular and erratic pattern, some of the strongest stocks going off most, such as National City with a drop of 9.2%; Chase declined only 1.9%, while Guaranty Trust, despite its recent dilution of shares, declined only 1.5%, after adjustment. However, an important factor in this situation is the resultant 11% increase to stockholders in the cash dividend, assuming the \$12 rate per share is to be maintained. Corn Exchange is the one stock in the group which has moved against the market trend with an appreciation of 5.7%.

At current stock prices the average dividend yield on the 17 stocks is 4.2%, an extremely attractive return in view of the safe coverage of dividends by net operating earnings (implying continuity of dividend rates), and the favorable long-term prospects of American industry and, hence, of commercial banking. When bank stocks, such as Bankers Trust, Chase and Guaranty, can be bought to yield 4%, it looks like opportunity to this observer; but he is not so favorably impressed by the 5% yield of First National and U. S. Trust. Manufacturers Trust at 4.1% and Public National at 4.5% appear excellent, particularly in view of their wide margin of net operat-

ing earnings over dividends of 2.2 and 2.4, respectively; the same can be said of Bank of Manhattan and Corn Exchange with ratios of 2.1 and 2.3, respectively.

Bank earnings for 1947 should not vary greatly from the high level achieved in 1946; in some instances net operating profits may show further improvement. Total earning assets are still close to the highest level in history, although there has been some shrinkage and this may continue further, but this shrinkage has been solely in the category of government securities and is associated with the Treasury debt retirement program. In the more important and profitable category of commercial borrowings there was considerable expansion in 1946, and this expansion is continuing thus far in 1947. Total commercial and industrial loans of New York City member banks increased from \$2,830,000,000 on Jan. 2, 1946, to \$3,776,000,000 on Dec. 31, 1946, an increase of \$946,000,000, or 33.5%. Thus far in 1947 the increase has been from \$3,776,000,000 to \$3,968,000,000 on Feb. 26, a gain of \$192,000,000, or 5.1% in two months.

Total government securities held by these banks declined from \$12,013,000,000 on Dec. 31, 1946, to \$11,323,000,000 on Feb. 26, 1947, a drop of \$690,000,000, or 5.7%. It is significant that this decline has been confined to bills, notes and certificates, while holdings of the longer term, higher yield, obligations of the government remain approximately at the same level as on Dec. 31, 1946, viz., \$9,212,000,000.

There has also been a moderate decline in deposits this year, as indicated by the weekly releases of the New York Clearing House Association, which reported total deposits of \$23,190,042,000 on Jan. 2, 1947, and of \$22,466,237,000 on Feb. 28. The decline amounts to \$723,805,000, equivalent to approximately 3%.

The item of chief importance to watch this year is the trend of commercial and industrial loans, and of next importance, the relative expansion of contraction of short-term vs. long-term government obligations. These figures are reported weekly by the Federal Reserve, and are usually published in the newspapers each Friday for New York and Chicago, and each Wednesday for the "101 Cities."

### First Boston Offers Oklahoma Gas & Elec. Com.

An investment banking group headed by The First Boston Corp. is offering to the public today (Thursday) 140,000 shares of Oklahoma Gas & Electric Co. common stock at \$39.50 per share. The shares, issued by the company for retirement of a part of existing debt and for the financing of new construction, were awarded to The First Boston Corp. and associated underwriters at competitive bidding on Tuesday.

Of the proceeds from the sale of the additional shares, \$1,470,000 will be applied to the prepayment of an equal principal amount of the company's outstanding 1 1/8% serial notes dated May 28, 1946.

The balance of the proceeds will provide funds for the acquisition and construction during 1947 of additions and betterments to physical properties, involving the expenditure of an estimated \$6,100,000.

Giving effect to this financing and the proposed debt reduction the company's outstanding capitalization will consist of \$42,000,000 of funded debt; 675,000 shares of 4% preferred stock and 890,000 shares of common stock. The company has paid cash dividends on its common stock in every year since 1908. Payments in the last two 1946 quarter-yearly periods were 43 3/4 cents per share each or at an annual rate of \$1.75.

The company is now a subsidiary of Standard Power & Light Corp. and Standard Gas & Electric Co. but an order of the Securities and Exchange Commission requires divestment of this parent company control. Oklahoma Gas & Electric Co., organized in 1902, is engaged in the production, transmission, distribution and sale of electricity in Oklahoma and Arkansas. Population of the territory served by the company is estimated at 800,000.

### With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)  
MINNEAPOLIS, MINN.—Emrick A. Rudquist has become associated with King Merritt & Co., Inc., 55 Liberty Street, New York City.

### J. G. Kinnard Co. Adds

(Special to THE FINANCIAL CHRONICLE)  
MINNEAPOLIS, MINN.—Frederick A. Tews has become affiliated with John G. Kinnard & Co., Baker Arcade.

## Sees Inflationary Dangers Ahead

National City Bank points to consequences of a resumption of price rises induced by psychology of speculation. Fears new demands for wage increases.

The March issue of the "Monthly Bank Letter" of the National City Bank of New York in discussing the outlook of business in relation to its price trend, expresses concern over further inflationary dangers in the situation. According to the "Letter," most fears as to the outlook for 1947 have been based on belief that the rapid rise of prices and living costs last Fall would price goods out of the market, that the effects would show as the most pressing demands were satisfied, and that speculation and inventory accumulation would be followed by a reaction. Many qualified observers have pointed out these dangers and advocated restraint in buying, reduction of prices, hard work and saving to keep the situation in order. Improvement in sentiment during the winter was based largely on the evidence of caution and of readiness by retailers particularly to make adjustments, and also on the declines in food prices toward the end of the year and the prospect that the cost of living might soon turn downward.

"If these views were warranted, the resumption of commodity price advances is to be deplored rather than welcomed. It defers hope of a downturn in the cost of living. Thereby it raises the danger that wage demands will be larger and more insistent, possibly leading to a fresh round of strikes or to another turn of the wage-price spiral. It augments the danger that excessive commitments may be made at inflated prices. To the extent that higher food prices take more out of consumers' pocketbooks, factory workers and city people will have less to spend on other goods. Where the rise forces advances in merchandise prices, distributors will have to cover requirements at the risk that their customers may not buy when the goods reach the counters sometime hence.

"It is true that higher farm prices will produce a higher income for farmers and increase their buying power for the products of factory workers. However, prosperity depends not upon what any population group can get for its product, but upon equitable relations between prices of all kinds of goods and services and the incomes of all groups. In previous issues of this 'Letter,' as well as in analyses of the situation in many other quarters, the view has been presented that price and income relationships would be in better balance, and better calculated to prolong a high level of production and trade, if food prices would come down. The rise in prices of the farm products included in the Bureau of Labor Statistics wholesale price index, from 1939 to the present, has been 160%, while all other prices have risen 60%. This is not a precise measure of imbalance, for agricultural prices were too low in 1939. But farmers have no complaint on that score now, and it is the purchasing power of other groups of the population which causes concern.

### The Outlook

"Whether depressing consequences actually flow from this resumption of the price rise will depend first upon the further course of the markets, and second upon the policies of businessmen and union leaders. Some of the influences raising farm prices have been quite temporary in character, such as interference of winter weather with transportation and marketing, the seasonal decline in hog slaughter, and possibly also the psychological factors. Moreover, the rise does not alter the

### Keith Schneidau Is now With Goldman, Sachs Co.

BUFFALO, N. Y.—Keith Schneidau is now representing Goldman, Sachs & Co. from offices in the Rand Building. In the past he was with Halsey, Stuart & Co.

### BANK and INSURANCE STOCKS

Laird, Bissell & Meeds  
Members New York Stock Exchange  
120 BROADWAY, NEW YORK 5, N. Y.  
Telephone: Barclay 7-3500  
Bell Teletype—NY 1-1248-49  
(L. A. Gibbs, Manager Trading Dept.)

### NEW JERSEY SECURITIES

J. S. Rippel & Co.  
Established 1891  
18 Clinton St., Newark 2, N. J.  
Market 3-3430  
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### WHOLESALE MARKETS IN BANK and INSURANCE STOCKS

### GEYER & CO.

INCORPORATED

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WHITEHALL 3-0782 NY 1-2875  
  
CHICAGO 4: 231 S. LaSalle Street  
FRANKLIN 7535 CG-105  
  
LOS ANGELES 14: 412 West Sixth Street  
MICHIGAN 2857 LA-1036  
  
SAN FRANCISCO 4: Russ Building  
BUTTER 6567 SF-573  
  
PRIVATE WIRE SYSTEM CONNECTING: NEW YORK, BOSTON, CHICAGO,  
CLEVELAND, PHILADELPHIA, LOS ANGELES, SAN FRANCISCO  
TELEPHONES TO: Hartford, Enterprise 6011 Providence, Enterprise 7008  
Cleveland, Enterprise 6011 Portland, Enterprise 7008  
Philadelphia, Enterprise 6011 Detroit, Enterprise 6066

BOSTON 9:  
10 Post Office Square  
HUBBARD 0650  
BS-507

1853

# THE HOME

1947

*...through its Agents and Brokers, is America's leading Insurance Protector of American Homes and the Homes of American Industry.*



## STATEMENT OF CONDITION

December 31, 1946

### ADMITTED ASSETS

Cash in Office, Banks and Trust Companies . . . . .	\$ 31,742,083.29
United States Government Bonds . . . . .	43,379,480.50
All Other Bonds and Stocks . . . . .	84,651,631.82
First Mortgage Loans . . . . .	176,651.51
Real Estate . . . . .	3,497,218.16
Agents' Balances Less than 90 days due . . . . .	10,291,747.65
Reinsurance Recoverable on Paid Losses . . . . .	1,856,152.43
Other Admitted Assets . . . . .	1,819,592.74
Total Admitted Assets . . . . .	\$177,414,558.10

### LIABILITIES

Reserve for Unearned Premiums . . . . .	\$ 78,273,559.00
Reserve for Losses . . . . .	21,691,968.40
Reserve for Taxes . . . . .	3,944,218.20
Liabilities under Contracts with War Shipping Administration . . . . .	3,696,078.76
Reserve for Miscellaneous Accounts . . . . .	948,521.81
Total Liabilities Except Capital . . . . .	\$108,554,346.17
Capital . . . . .	\$15,000,000.00
Surplus . . . . .	<u>53,860,211.93</u>
Surplus as Regards Policyholders . . . . .	<u>\$68,860,211.93</u>
Total . . . . .	\$177,414,558.10

### Directors

LEWIS L. CLARKE <i>Banker</i>	GUY CARY <i>Lawyer</i>
CHARLES G. MEYER <i>The Cord Meyer Company</i>	HAROLD V. SMITH <i>President</i>
WILLIAM L. DEBOST <i>President, Union Dime Savings Bank</i>	HARVEY D. GIBSON <i>President, Manufacturers Trust Company</i>
WILFRED KURTH <i>Chairman of the Finance Committee</i>	FREDERICK B. ADAMS <i>Chairman of the Board, Atlantic Coast Line Railroad Co.</i>
EDWIN A. BAYLES <i>Dennis, Mass.</i>	ROBERT W. DOWLING <i>President, City Investing Co.</i>
GORDON S. RENTSCHLER <i>Chairman of the Board, National City Bank of New York</i>	GEORGE GUND <i>President, Cleveland Trust Co.</i>
ROBERT GOELET <i>Real Estate</i>	HAROLD H. HELM <i>First Vice President, Chemical Bank &amp; Trust Co.</i>
GEORGE MCANENY <i>President, Title Guarantee &amp; Trust Co.</i>	

NOTE: Bonds carried at \$4,413,915.98 amortised value and cash \$50,000.00 in the above statement are deposited as required by law. All securities have been valued in accordance with the requirements of the National Association of Insurance Commissioners. On the basis of actual December 31st market values total Admitted Assets would be increased to \$182,244,632.08 and the Surplus to Policyholders would be increased to \$73,690,285.91.



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Insurance Company  
NEW YORK  
FIRE . AUTOMOBILE . MARINE

## Mutual Funds

By JOHN DEAN

On Feb. 21, 1947 Hugh W. Long & Co. wrote to correspondents that they are not contemplating a change in distribution charges on dealer compensation shares of funds they sponsor. They mentioned the difficulties in educating the investing public to the advantages and principles of investment companies. This teaching involves efforts and often as not, time and expenditure, which they think

should be adequately compensated for. Moreover, they asked "an expression of opinion from you and your associates as to the validity of our conclusions."

### Discussion of Federal Taxes

**Abstracts**, containing current information for distributors presented by Lord, Abbott & Co., carried in their Feb. 24, 1947, issue a discussion on Federal taxes. In referring to the Federal tax status of dividends received by a corporation, they contend that investing funds in **Union Bond Funds** would be better than owning securities directly.

### Six Features in One Certificate

Current literature of the **National Securities and Research Corporation** states that in buying **National Bond Series**, six important features are combined in one certificate making for easier estate settlement, diversification, supervision, dependable income, and liquidity. That a large New York trust company acts as trustee and distributes all funds is stressed. Such factors, say the **National Securities and Research Corporation**, are part of what makes **Bond Series** a group designed for price stability and excellence.

### Advantage of Holding Diversified List

Cities Service Company announced its new plan on Feb. 14, 1947, of offering increased amounts in retirement of its three classes of preferred stock. This provides for payment of these shares through the issuance of 3% debentures; however, the maturity of the debentures has been reduced from 50 to 30 years. The amount to be issued provides for full payment of the redemption price on the \$6 cumulative preferred stock of \$112 per share, in addition to all arrears. This type of news, it is pointed out by **Union Preferred Stock Fund**, is a good reason for holding a diversified list which includes issues carrying dividend arrears.

### Social Security Taxes Increase

"These Things Seemed Important," the Digest written by **Selected American Shares**, explains that the Social Security taxes collected in 1946 totaled \$1,784 million, an increase of \$35 million over '45. Some other things mentioned are: the Chinese dollar has been fixed at 12,000 to one U. S. dollar; the Saturday closings of New York state banks.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

## TOBACCO SHARES

OF  
GROUP SECURITIES, INC.



A PROSPECTUS ON REQUEST  
from your investment dealer or,  
Distributors Group, Incorporated  
63 Wall Street, New York 5, N. Y.

## NATIONAL SECURITIES SERIES

Prospectus upon request from  
your investment dealer, or from  
**NATIONAL SECURITIES &  
RESEARCH CORPORATION**  
120 BROADWAY, NEW YORK 5, N. Y.

## Fundamental Investors Inc.



Prospectus from your Investment Dealer or  
**HUGH W. LONG & CO.**  
INCORPORATED  
48 WALL STREET, NEW YORK 5, N. Y.  
LOS ANGELES CHICAGO

## Keystone Custodian Funds

Prospectus may be obtained  
from your local investment dealer or  
**The Keystone Company of Boston**  
50 Congress Street, Boston 9, Mass.

## National Committees Appointed by NASD

The National Association of Securities Dealers, Inc. announces the appointment of the following national committees by Herbert F. Boynton, H. F. Boynton & Co., New York City, chairman of the board of governors:

**Investment Trust Underwriters Committee**—Herbert A. Bradford, Chairman, Calvin Bullock, New York; Herbert R. Anderson, Distributors Group, Incorporated, New York; Chas. F. Eaton, Jr., Eaton & Howard, Incorporated, Boston; Hugh W. Long, Hugh W. Long & Company, Incorporated, New York; David T. Sanders, Vance, Sanders & Company, Chicago; S. L. Sholley, The Keystone Company of Boston, Boston; Henry J. Simonson, Jr., National Securities & Research Corporation, New York.

**Public Relations Committee**—William K. Barclay, Chairman, Stein Bros. & Boyce, Philadelphia; Ralph Chapman, Farwell, Chapman & Co., Chicago; James Coggeshall, Jr., The First Boston Corporation, New York; June S. Jones, Atkinson-Jones & Co., Portland; Henry G. Riter, 3rd, Riter & Co., New York.

**Quotations Committee**—George Geyer, Chairman, Geyer & Co., New York; Harry L. Arnold, Paine, Webber, Jackson & Curtis, New York; Howard E. Buhse, Hornblower & Weeks, Chicago; A. C. Purkiss, Walston, Hoffman & Goodwin, Los Angeles; Herman J. Sheedy, McDonald & Company, Cleveland.

**Railroad Advisory Committee**—Pierpont V. Davis, Chairman, Harriman Ripley & Co., Incorporated, New York; Charles L. Bergmann, R. W. Pressprich & Co., New York; George W. Bovenizer, Kuhn, Loeb & Co., New York; Fairman R. Dick, Dick & Merle-Smith, New York; Rowland H. George, Wood, Struthers & Co., New York; John F. B. Mitchell, Wood, Walker & Co., New York; Robert G. Rowe, Stroud & Company, Incorporated, Philadelphia; Jean C. Witter, Dean Witter & Co., San Francisco; Orrin G. Wood, Estabrook & Co., Boston.

**Traders Committee**—B. Winthrop Pizzini, Chairman, B. W. Pizzini & Co., Inc., New York; Robert D. Diehl, William R. Staats Co., Los Angeles; Dayton P. Haigney, Dayton Haigney & Co., Boston; Clair S. Hall, Jr., Clair S. Hall & Company, Cincinnati; George J. Muller, Janney & Co., Philadelphia; Harry L. Nelson, Blyth & Co., Inc., Chicago.

**Uniform Practice Committee**—Harold C. Patterson, Chairman, Auchincloss, Parker & Redpath, New York; Wilbur W. Wittenberg, Vice-Chairman, Blyth & Co., Inc., Minneapolis; W. B. Brown, William R. Staats Co., Los Angeles; C. P. Colwell, Merrill Lynch Pierce, Fenner & Beane, Philadelphia; Clement A. Evans, Clement A. Evans & Co., Atlanta; Reginald Martine, Harriman Ripley & Co., Incorporated, New York; Reuben Thorson, Paine, Webber, Jackson & Curtis, Chicago.

## New York Stock Exchange Weekly Firm Changes

The new York Stock Exchange has announced the following changes:

Charles S. Hale & Co., New York City, was dissolved as of Feb. 28th.

E. Edward Bollinger, member of the Exchange, withdrew from partnership in Thomas G. Campbell & Co., New York City, on Feb. 21st, on which date company retired as a member firm.

## COMMONWEALTH INVESTMENT COMPANY

A Diversified Investment Fund with Redeemable Shares

Prospectus on Request

GENERAL DISTRIBUTORS  
NORTH AMERICAN SECURITIES CO.  
2300 Russ Building  
San Francisco 4, California

## Observations

(Continued from page 1249)

unexpended balance of the British loan, and more gold sales to us. While the highly uneven distribution of the resulting dollar reserves of \$19 billion among countries makes the effectiveness of this cushion somewhat uncertain vis-a-vis individual foreign markets and debtor countries, it can be assumed that there will be no over-all ending of the supply of dollars in the early future.

### Old Tricks in New Form

But the nature of these apparently new ways of distributing our dollars should be realized, both for judging their permanence and the possibilities for the recovery of their capital, for they can perhaps be considered in the same category of "device" for distributing and re-distributing "the chips" to enable our customers to continue playing, as we have used since World War One. Starting with moneys advanced via the defaulted war debts of that time, we then in the 1920's handed out purchasing power via "loans" channeled from our private investors through our investment bankers; and changed the technique in the 1930's by exchanging our dollars for the world's hoards of gold.

Since the end of World War Two, foreign currency has been made available through a great number of inter-governmental loans, of which the United States has been the chief source. As at the end of 1946, the total amount of postwar international credits totaled \$15 billion, of which U. S. credits totaled \$9 billion. The total of foreign loans and investments is about \$16 billion, which, over the next few years, will be enlarged to about \$21 billion, with annual debt service payments of \$1.1 billion.

Which of the presently available devices for supplying dollars is now used by the foreign seekers after dollars, is an open, if unimportant, question. Uncertainty over a country's par values in the Monetary Fund, or preference for using up gold and foreign exchange reserves first, might cause a potential borrower to solicit from the Bank before the Fund. But in the long-run it would seem that dollar-hungry nations will queue up for help from all the institutions, and without regard to the so-called long-term or short-term characteristics of the forthcoming subsidies.

### A "Net" Conclusion

In any event the "net" conclusion seems warranted that even apart from "non-recurring" extensions of funds for special purposes, the current accounts of the exchange of real wealth in the form of goods and services, must spell sizable deficits for our customers. Hence we are faced with the alternatives of either cutting down on our own exports or of continuing to extend subsidies in some form. The only freedom of action we have regarding the continuation of subsidies apparently is limited to whether to inform the public frankly and truthfully that it is subsidy, or whether to delude them that it is a *quid pro quo* value-received type of transaction, on the theory that our political unsophistication requires this. It seems to this column that in the long run, and taking all ramifications into account, the most advantageous, as well as the most ethical policy that can be pursued, is to make the public aware of the true nature of the situation and of the necessary costly remedies.

## More About Stockholder Protection

Mr. A. Wilfred May,  
Commercial & Financial Chronicle,  
25 Park Place,  
New York 8, N. Y.  
Dear Mr. May:

Under the heading of "Observations" in your issue of Feb. 6, I feel the position of the average stockholder has not been treated with the seriousness and thoughtful consideration which it deserves. Feeling that you have no desire to be unfair may I request that you give this letter equal prominence in the paper.

Your statement about, "A handful of protesting minority stockholders who are self-styled protectors of the downtrodden American shareholders and etc.," gives a false impression in my opinion. I deny that we are just a handful and also deny that we have ever called ourselves "protectors of the downtrodden and etc." The records show in many corporations that the average holdings of each stockholder is only a hundred or so shares. As an example, consider American Telegraph. An examination of the stock holdings of many officers and directors of our corporations show an ownership of 100 shares, or a few over, by highly paid officers and directors. Can these gentlemen rightly object to interrogation by an investor who owns as much stock as they do? What difference does it make if a stockholder owns one or a hundred shares if his position on a question is tenable?

Who has a better right to question the actions of management than the shareholders whose investments made our corporations possible in the first place? Does capable management try to brush off legitimate protests, questions and suggestions by use of the term "cockeyed"? Is this not the method of old-time officers who looked upon the corporations they headed as their private oyster? Did not such conduct come near destroying our system of private corporate enterprise?

In labor disputes why call in lawyers and men from other lines of business when the financially interested stockholder could act as a third party? He is, or should be, interested in the welfare of both labor and management as he is the legitimate third party to the dispute. His investment and the returns from same is involved.

The term "corporation baiter" cannot rightly be applied to the average investor of today. Would we stockholders bait ourselves? Would we knowingly injure our own interests? We are not strike-suit stockholders nor do we resemble in any way these gentry from other, and we hope passed, years.

It is true, Mr. May, as you state, we are not an organized body of stockholders and investors. If you have observed the attendance at the annual meetings in the past few years I feel sure you have taken notice of the growing number of shareholders who attend and who take an active part in the meeting. We have purposely steered clear of an organization with paid officers. While the growth of the movement has been slow we feel it has been sure. It would perhaps surprise many of the old style corporation officers to know how many officers of large corporations have recognized the worth of the movement. During the uncertain times of a few years ago when our system of private corporate enterprise was in danger, I think we did much to save our way of business life.

Thanking you for your consideration of the above, I am:

Yours, very truly,  
S. CRAIG LITTLE  
Feb. 20, 1947.

A one-room office at  
91 Walnut Street in 1847

## A CENTURY SPANNED



This is Penn Mutual's Centennial Year. In 1847, its first policy was written in a small office at 91 Walnut Street, Philadelphia, where the Company started business. Now in its hundredth year, over five hundred thousand Penn Mutual policyholders own life insurance amounting to \$2,376,047,351.

Through five wars, through business depressions and upheavals, Penn Mutual has grown steadily, without loss to any policyholder. With a century's experience as a background, Penn Mutual looks forward to the increased opportunities for service to America's families that the next century will bring.

The new business paid for in 1946 totaled \$247,201,264. This is an increase of \$102,875,644 over 1945—the largest gain for a single year in the history of the Company. During the past year, \$57,900,913.99 was paid to policyholders and their beneficiaries. Over a billion dollars of assets stand back of policyholders' funds as Penn Mutual salutes its second century of security.

## PENN MUTUAL'S 99TH ANNUAL STATEMENT

In accordance with the requirements of its Charter, this Company publishes the following statement which represents the principal features of its NINETY-NINTH ANNUAL REPORT to policyholders. A copy will be sent to you upon request.

STATEMENT OF  
INCOME AND SURPLUS RESERVE

For the Year Ended December 31, 1946

Your Company's income during the year consisted of:

Insurance premiums, annuity deposits, dividends left with the Company to accumulate at interest, and policy proceeds left with the Company for future distribution under options of settlement . . . . .	\$104,731,116.57
Investment income consisting of interest, dividends and rents, less net decrease of \$354,827.87 in values of investments, and less expenses of foreclosed real estate including \$104,938.76 for real estate taxes . . . . .	31,280,909.47
Net gain from sale or other disposition of assets . . . . .	6,130,619.34
Other income . . . . .	74,569.77
	<b>\$142,217,215.15</b>

During the year your Company:

Made payments of policy benefits to policyholders and beneficiaries amounting to . . . . .	\$ 57,900,913.99
Made normal increases in the policy reserves and accumulated dividend fund amounting to . . . . .	49,987,700.68
Paid the cost of operations for the year, including \$1,953,089.67 for federal and state taxes, licenses and insurance department fees, of which \$450,000.00 represents estimated federal income tax for 1946 . . . . .	15,335,663.48
	<b>123,224,278.15</b>

For the year 1946, your Company's net income was . . . . . \$ 18,992,937.00

At January 1, 1946, the surplus reserve, for the protection of policyholders and available for mortality and investment fluctuations and other contingencies, amounted to . . . . . \$ 49,863,400.48

\$ 68,856,337.48

From the above, your Board of Trustees provided for:

The payment of dividends to policyholders, on policy anniversaries during 1947, in the amount of . . . . .	\$10,650,000.00
Further additions to policy reserves, in the amount of . . . . .	5,012,759.00
	<b>15,662,759.00</b>

So that the surplus reserve at December 31, 1946, amounted to . . . . . \$ 53,193,578.48

## BOARD OF TRUSTEES\*

MORRIS L. CLOTHIER	WALTER D. FULLER	EDWARD E. BROWN
CLINTON F. MCCORD	CHARLES E. BRINLEY	JOHN E. BIERWIRTH
BENJAMIN RUSH	GEORGE WHARTON PEPPER	GEORGE E. ALLEN
WILLIAM M. ELKINS	ROBERT T. McCACKEN	WM. FULTON KURTZ
LEONARD T. BEALE	JOHN A. STEVENSON	ROBERT L. JOHNSON
WILLIAM I. SCHAFER	PHILIP C. STAPLES	ISAAC W. ROBERTS
THOMAS S. GATES	MARTIN W. CLEMENT	MALCOLM ADAM
WILLIAM W. BODINE	CHARLES R. SHIPLEY	HARRY C. CARR
JAMES E. GOWEN		ALVIN C. EURICH

\*One vacancy on December 31, 1946—EARL G. HARRISON elected January 6, 1947.

JOHN A. STEVENSON, President

THE PENN MUTUAL  
LIFE INSURANCE COMPANY

FOUNDED 1847 • INDEPENDENCE SQUARE • PHILADELPHIA

NOTE A—United States Government bonds carried at \$260,000 in the above statement are on deposit with certain States as required by law.

NOTE B—The Statement of Financial Condition and the related Statement of Income and Surplus Reserve are prepared in accordance with accounting principles applied by the Insurance Department of Pennsylvania.



## Railroad Securities

Judging from comments heard around financial circles and the action of a number of individual railroad securities, investors have lost sight of the fact that the operations of certain railroads are highly seasonal. As a matter of fact, the industry as a whole normally is subject to seasonal peaks and valleys in traffic and revenues. For roads like Great Northern the pattern is even more pronounced than it is for the industry as a whole. Under the stress of the war transportation demand the seasonal curve has been pretty well ironed out in recent years. Apparently its reappearance now that war distortions have been removed has caused some surprise, and some apprehension as to earnings for the full year on the basis of January results.

Great Northern is heavily dependent on the movement of iron ore. This important traffic item moves only when the Great Lakes are open to navigation. They do not open until around the middle of spring. Great Northern also relies heavily on wheat and other farm products. The heavy movement of these agricultural commodities comes in the fall after the crops have been harvested. From an earnings standpoint Great Northern's performance in the early and closing months of the year is also generally adversely influenced by winter weather.

Great Northern in the opening month of 1947 reported net operating income of \$311,040, a sharp drop from the \$1,039,234 realized a year earlier. Gross was slightly higher than it had been in January, 1946. This was in the face of a sharp decline in passenger revenues from the all time peaks being registered by most western carriers last year as troops were being brought home from the Pacific war. Merely compared with last year's performance the January, 1947 showing of the road was obviously disappointing. Measured by normal seasonal standards, however, the January, 1947 showing must

be accepted as highly satisfactory.

Going back to the decade before the war it will be found that in most years Great Northern sustained net operating deficits in both January and February. As a matter of fact, even though the seasonal upturn got slowly under way in March the road on the average for the ten prewar years 1932-1941 reported a net operating deficit for the first quarter of the year. For the best January of the ten-year period, 1940, net operating income amounted to only \$230,000. This was just about 1% of net operating income for the full year.

Many rail analysts are pointing to the 1941 performance of the road as indicative of how little bearing the results of the opening months have on earnings for the full year. 1941 was the last year before important war distortions and dislocations of the normal seasonal pattern. In that year Great Northern reported net operating income of only \$28,000 in January and \$43,000 in February. For the full year net operating income before Federal income taxes topped \$34,000,000. On the present capitalization, and adjusting for the current higher non-operating income and Federal income taxes at 38%, this would have been equivalent to \$6.75 a share on the stock.

The traffic outlook for Great Northern during the seasonally active months ahead is excellent. As a matter of fact, the management announced that traffic even in January was held down by the car shortage. This will not be a restrictive factor with respect to the important iron tonnage which should start to move more time in April. The ore cars do not go onto foreign lines and thus will be available to the company when, and as, needed. Based on present and prospective steel operations are on the inventory situation, this highly profitable tonnage may run nearly 30% ahead of a year ago in 1947.

Based on the general traffic and operating outlook it is estimated in some quarters that earnings this year will run two and a half to three times the present dividend rate of \$3.00 a share. At around five times prospective earnings the stock is considered outstandingly attractive by many rail analysts.

**Chicago Railways**  
Cons. "A" 5s, 1927

**Amalgamated Sugar**

**Consolidated**  
**Dearborn Corp.**

**R. Hoe & Co., Inc.**  
Old Class "A"  
New Class "B"

**Universal Match**

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1st Mtg "A" 4s 1983  
First Mortgage Bond on Main Line  
Properties of Strategic Nature  
Priced to yield better than 6 1/4 %  
Analysis on Request

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## Stewart Trustee of U. S. Trust Co.

Williamson Pell, Chairman of the United States Trust Company of New York, announced the election of William A. W. Stewart to the Board of Trustees. Mr. Stewart, a member of the firm of Stewart and Shearer, is a Director of the Commonwealth Insurance Company of New York. His grandfather, the late John A. Stewart, was one of the organizers of the United States Trust Company and served almost continuously as an officer of that Company from its founding in 1853 until his death in 1926 when he was Chairman of the Board.



W. A. W. Stewart

## Phila. Securities Assoc. Committees

PHILADELPHIA, PA.—William B. Ingersoll, of Stroud & Co., Inc., President of the Philadelphia Securities Association, announced the appointment of Association Committees for 1947 as follows:

Arrangements Committee—Dudley R. Atherton, Jr., Lazard Frères & Co., Chairman; Paul Bodine, Drexel & Co.; Newlin Davis, Kidder, Peabody & Co.; L. W. Fisher, Paul & Co.; John D. Foster, Real Estate Trust Co.; Edward G. Garver, Bioren & Co.; Harry Heffelfinger, S. K. Phillips & Co.; James J. Mickley, Corn Exchange National Bank; Alfred W. Platt, Fidelity Mutual Life Insurance Co.; and G. Ellwood Williams, Pennsylvania Co. for Insurances on Lives and Granting Annuities.

Speakers Committee—H. Clifton Neff, Schmidt, Poole & Co., Chairman; George J. Ourbacher, F. J. Young & Co.; Walter A. Schmidt, Schmidt, Poole & Co.; and Albert W. Whittlesey, Pennsylvania Co. for Insurance on Lives and Granting Annuities.

Membership Committee—Harry C. Rippard, Buckley Bros., Chairman; William E. Slack, Bioren & Co.; Thomas B. Krug, Bioren & Co.; George K. Dorsey, Reynolds & Co.

Educational Committee—Wm. P. Watts, Stroud & Co., Inc., Chairman; Orrin V. Boop, Schmidt, Poole & Co.; Harold F. Scattergood, Boenning & Co.; Herbert F. Gretz, Fidelity-Philadelphia Trust Co.; Harold F. Carter, Hornblower & Weeks; James Long, Smith, Barney & Co.; Lloyd A. McDowell, Buckley Brothers; H. Clifton Neff, Schmidt, Poole & Co.; and William Reid, Doremus & Co., Inc.

## G. E. Moore Opens Office

SEATTLE, WASH.—Gerald E. Moore is engaging in the securities business from offices in the Second and Cherry Building. Mr. Moore was formerly an officer of Lobe & Moore, Inc.

## Mullaly Now With F. Vz. Didrichsen

Charles J. Mullaly, formerly of the Municipal Bond Department of Amott, Baker & Co., is now associated with F. Vz. Didrichsen, 41 Broad Street, New York City.

## UNITED PUBLIC UTILITIES CORP.

We have prepared a memorandum  
which is available on request.

**I. h. rothchild & co.**  
Member of National Association  
of Securities Dealers, Inc.

52 wall street  
HAnover 2-9072  
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## "Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

A dull, but firm, government market, which has been and still seems to be waiting for news, turned up recently, with increased volume, following reports of no important developments, at the meeting of the Federal Reserve Open Market Committee. . . . It had evidently been expected in some quarters that there might be changes in short-term rates after this meeting. . . . The rumor factory has been going full blast of late, with reports of an immediate defrosting of the certificate rate being very prevalent. . . . There is, of course (in these reports) no set time stated as to when rates will be changed, but the so-called confidential information from official sources, which is being passed out freely, says it will be soon, and will precede an offering of long-term bonds to non-bank investors. . . . "Open Mouth Operations" are going great guns again, to create, if possible, an attitude of caution and uncertainty, so that prices of Treasury issues will stay within trading limits. . . . Chairman Eccles' statement before the House Banking and Currency Committee on possible changes in short-term rates and in opposition to long-term financing did nothing to clarify matters. . . .

### SHORT COVERING

The covering of some short positions by one of the large dealers, along with scattered institutional purchases, was more than sufficient to absorb the selling of another large government house which according to reports was making preparations to bid on the State of Michigan issue. . . . As a result prices moved up a few thirty-seconds on not too heavy volume. . . .

It is still believed that the volume of securities available for sale at these levels is not very large and it is not likely to increase very much unless there should be a change in interest rates. . . . This would take place, only with the approval of the monetary authorities. . . .

The action of the market itself indicates that it is very much a professional affair, with dealers and traders able to influence prices with only minor operations. . . . This means that in so far as new money is concerned it seems as though investors have again taken largely to the sidelines although there still appears to be some important switching from the shorter into the longer maturities especially by the deposit banks. . . .

### CURRENT FAVORITES

The 2 1/4s of 1956-59 continue to be favored by the commercial banks with reports that some fairly sizable positions have been taken in this issue, with the proceeds from the sale of the 2 1/2s due 1956-58. . . . The longer 2s are being picked up, with a good tone as well as a substantial demand being noted for the 2s due Sept. 15, 1951-53. . . . Shorter maturities of the taxable 2s are being sold in some cases, and the funds reinvested in the 2 1/2s due Sept. 15, 1967-72. . . . This has been confined largely to the smaller banks, which must move out maturities to improve income. . . .

In some instances also there has been buying of the earlier maturities of the taps by non-bank investors, with reports that these funds have been obtained largely from the sale of eligible issues. . . .

While the government market has not been too active, there has been enough going on to make it interesting, as well as profitable, to those that are in a position to make changes that improve maturity distribution, as well as income. . . . It is during periods like this that the really constructive work is generally done. . . .

### BEARISH ARGUMENTS

Reports of changes in short-term rates, new issues of long-term bonds, along with new offerings of municipals, increased sales of corporates, as well as impending offerings by the World Bank, combine to give those that are either bearish or are sold out bulls, some pretty strong talking points as to why the government market is more likely to decline than advance from these levels. . . .

The defrosting of short-term rates can come at any time, with reports now circulating that changes in short-term rates have already been approved by the monetary powers that be, but the announcement of it is being left to the discretion of the Central Banks. . . . This report, of course, has been denied, which is as it should be, under existing circumstances. . . .

While it has been known for a long time that the monetary authorities have been working on ways and means of changing short-term rates, nothing has yet happened. It does not seem as though conditions are right yet for this change because the greatest good would not come to the greatest number by such a development. . . . This means that political considerations are far more powerful than those that the banks can put forward. . . .

### POLITICAL FACTOR

Both parties will be very conscious of anything that would be adverse politically for the next year at least, which probably indicates very little change in interest rates in the direction that would increase the debt burden. . . . Of course if it can be proved that such a change would stop inflation, if it should develop, then there might be justification, even politically, for such a course of action. . . .

Likewise a long-term 2 1/2% in place of a lower coupon obligation, would seem to be politically feasible only if it would stop the inflation spiral. . . .

Since the fear of inflation is not so pressing as in the past, it seems as though changes in rates as well as a new issue of bonds are not as close as some would like to have others believe. . . .

### MARKET SECURE

The increase in the supply of municipals and corporates is much more of a certainty as some really sizable offerings are being made with others right behind them. . . . What will be the effect of the increase in supply of these securities on governments? As a whole, very little, if any. . . . Comparing quality, marketability and market protection, the score is entirely in favor of the Treasuries. . . . Short maturities of municipals will probably be bought by some banks to replace the governments lost through debt retirement. . . . For those that are in a position and are willing to assume the added risk in municipals, there will probably be some shifting out of governments where maturities can be shortened and yield increased. . . .

# READING COMPANY

*Condensed Annual Report for Year Ended December 31, 1946*

## To the Stockholders:

Although earnings of all railroads were seriously affected in 1946 by wage increases, higher material costs, and traffic losses due to unsettled industrial conditions, Reading Company was able to maintain a strong financial position and improve its physical property. Increased traffic in the closing months, temporary rate increases, and tax adjustments contributed substantially to net income.

## REVENUES AND EXPENSES

Revenues for the year declined \$7,925,388, and operating expenses decreased \$2,080,399, after excluding amortization adjustment in 1945 of \$11,895,680. The ratio of operating expenses to revenues was 82.3%, compared with 78.3% in 1945, excluding amortization adjustment. Increases in wages and in fuel and material costs were the major factors in the higher operating ratio in 1946.

## FREIGHT RATES

Temporary increases in freight rates and charges granted by the Interstate Commerce Commission, effective from July 1, 1946, to December 31, 1946, produced approximately \$2,650,000 additional revenue for the Company, representing an increase of 6.3%. By order entered December 5, 1946, the Commission authorized permanent increases in freight rates and charges to become effective January 1, 1947, in substitution for the temporary increases. Similar increases in intrastate rates were authorized by the Pennsylvania and New Jersey Utility Commissions. Based upon anticipated freight traffic in 1947, it is estimated that the additional revenue to be derived from the increased rates and charges will be \$14,400,000 per year, or 17.6%, in excess of that which would have been earned under rates in effect on June 30, 1946.

## WAGES

General wage increases granted railroad employees of 16 cents per hour, effective January 1, 1946, and 2½ cents additional, effective May 22, 1946, increased the Company's payroll expense \$8,900,000 and its payroll taxes \$580,000, a total increase of \$9,480,000 in 1946. Wages paid for the year aggregated \$57,231,347, the highest in the history of the Company, of which \$53,977,772 was charged to operating expenses, representing 53.2 cents per dollar of operating revenue, as compared with 43.8 cents in 1945.

## TAXES

Total tax bill was \$10,366,329, exclusive of credit adjustments applicable to prior years aggregating \$1,128,493, or a net accrual of \$9,237,836, including payroll taxes amounting to \$3,545,231.

## FINANCE

The Company paid, redeemed or purchased bonds and other obligations aggregating \$2,897,200, resulting in annual interest savings of \$90,327. Conditional sales agreements were entered into for financing the cost of ten diesel switching locomotives and 80% of the cost of 850 steel box cars. These obligations, which will aggregate \$3,377,000, will be paid in sixty monthly installments, with interest at 1½% per annum. Since December 31, 1936, funded debt has been reduced \$34,409,467, or 25.9%; annual interest charges have been reduced from \$5,408,649 to \$3,058,831, a decrease of \$2,349,818, or 43.4%; and average interest rate was reduced from 4.076% to 3.112%, or 23.7%.

## IMPROVEMENTS

During the year the following new equipment was placed in service: 15 Class T-1 type 4-8-4 steam locomotives; ten 1,000 hp. diesel switching locomotives; and 912 all-steel box cars. As of the end of the year, the Company had ordered or authorized the construction of the following: seven Class T-1 type 4-8-4 steam locomotives; fifteen 1,000 hp. diesel switching locomotives; 1,088 all-steel box cars; 100 all-steel bulk cement cars; 25 all-steel caboose cars; four all-steel carfloats; and eight multiple unit and eight trailer passenger cars. The Company's wholly-owned motor subsidiary acquired 27 units of new equipment and placed orders for 35 additional units.

Substantial progress was made in the renewal and improvement of roadway facilities, including strengthening of bridges to permit use of heavier power, installation of color light signals and modernization of interlocking plants, construction of track facilities to serve new industries, installation of longer switches to permit increased schedule speeds between Philadelphia and New York, and extension of engine house and installation of modern turntable at Rutherford. Among the more important construction projects undertaken during the year were a new 986-foot bridge over the Schuylkill River at Reading and an 8,000-foot spur to serve a new electrical generating plant at Shamokin Dam, Pa.

The Company appreciates the support and co-operation of its patrons who shipped and traveled "via Reading" and the loyal and efficient service of its 20,000 officers and employes which made possible the accomplishments of the year.

## CONDENSED EARNINGS STATEMENT

	December 31	Increase or Decrease
	1946	1945
Revenues From Operation		
Hauling anthracite	\$ 23,847,046	\$ 19,260,697
Hauling bituminous coal	18,416,106	20,019,879
Hauling merchandise	44,645,033	53,292,578
Carrying passengers	9,655,268	11,630,743
Mail, express, and other transportation services	4,862,670	5,147,620
Total Revenues	<b>\$101,426,121</b>	<b>\$109,351,509</b>
Expenses of Operation		
Wages	\$ 53,977,772	\$ 47,895,762
Fuel	6,826,027	6,942,178
Rails, ties, and other material	10,716,720	8,895,459
Payments to contractors, associations, other companies and individuals for services and expenses	6,648,253	11,558,094
Depreciation, amortization and retirements	5,345,775	10,303,453
Amortization adjustment		11,895,680
Total Expenses	<b>\$ 83,514,547</b>	<b>\$ 97,490,626</b>
Net Revenue from Operations	<b>\$ 17,911,574</b>	<b>\$ 11,860,883</b>
Tax accruals	\$ 9,065,626	\$ 3,901,311*
Payments for use of equipment and facilities of others, less receipts for use of Company's equipment and facilities by others	514,669	19,825*
Net Railway Operating Income	<b>\$ 8,331,279</b>	<b>\$ 15,782,019</b>
Income from investment in securities, property rentals, and other income	\$ 1,663,670	\$ 1,481,895
Income Available for Fixed Charges	<b>\$ 9,994,949</b>	<b>\$ 17,263,914</b>
Rent for leased roads	\$ 2,222,795	\$ 2,555,179
Interest on funded debt	3,058,831	4,010,405
Other fixed charges	118,832	75,574
Total Fixed Charges	<b>\$ 5,400,458</b>	<b>\$ 6,641,158</b>
Net Income	<b>\$ 4,594,491</b>	<b>\$ 10,622,756</b>

\*Credit.

## FINANCIAL POSITION

	Owned	December 31	Increase or Decrease
	1946	1945	
Roadway property and equipment	\$389,717,135	\$385,718,785	\$ 3,998,350-I
Less reserves for depreciation and amortization	116,126,536	113,461,066	2,665,470-I
Net Roadway Property and Equipment	<b>\$273,590,599</b>	<b>\$273,257,719</b>	<b>\$ 1,332,880-I</b>
Property not used in transportation service	\$ 11,973,680	\$ 12,203,185	\$ 229,505-D
Stocks, bonds, and notes of other companies	49,856,056	49,037,581	818,475-I
U. S. Government securities	7,176,360	7,176,360	
Deposits with trustees	2,071,177	2,137,526	66,349-D
Current Assets:			
Cash and temporary investments	\$ 18,245,734	\$ 16,544,738	\$ 1,700,996-I
Fuel, rail, ties, and other stock material	10,601,579	9,488,902	1,112,677-I
Due from agents and conductors, individuals, companies, and U. S. Government	7,037,871	18,636,815	11,598,944-D
Total Current Assets	<b>\$ 35,885,184</b>	<b>\$ 44,670,455</b>	<b>\$ 8,785,271-D</b>
Other assets	2,132,530	1,109,665	1,022,865-I
Total	<b>\$382,685,586</b>	<b>\$388,592,491</b>	<b>\$ 5,906,905-D</b>
Owed			
Mortgage and collateral bonds	\$ 94,380,864	\$ 96,787,964	\$ 2,407,100-D
Equipment obligations	3,897,020	2,096,100	1,800,920-I
Current Liabilities:			
Bank loan	\$ 4,000,000	\$ 6,000,000	\$ 2,000,000-D
Wages, unpaid bills, and other liabilities	14,006,676	19,915,247	5,908,571-D
Taxes	5,028,665	2,776,651	2,252,014-I
Total Current Liabilities	<b>\$ 23,035,341</b>	<b>\$ 28,691,898</b>	<b>\$ 5,656,557-D</b>
Other liabilities	\$ 3,827,580	\$ 2,927,800	\$ 899,780-I
Stockholders' Ownership			
Capital stock	\$139,950,850	\$139,950,850	
Surplus	117,593,931	118,137,879	\$ 543,948-D
Total Capital Stock and Surplus	<b>\$257,544,781</b>	<b>\$258,088,729</b>	<b>\$ 543,948-D</b>
Total	<b>\$382,685,586</b>	<b>\$388,592,491</b>	<b>\$ 5,906,905-D</b>

*Kew Brown*  
President

## Securities Salesman's Corner

By JOHN DUTTON

Last week the security dealers in up-state New York were disagreeably surprised to open their morning mail and out of a clear sky were faced with a demand to disclose confidential information concerning their affairs UNDER OATH to the Attorney General's Office of the State of New York. The possible penalty for non-compliance was \$500 fine and a year in jail. We understand that several hundred dealers received this ultimatum.

This happened in the State of New York. It can happen in your state too. Things like this are happening constantly and everytime they do Herbert D. Seibert of "The Commercial & Financial Chronicle" is about the only one in the whole country who gets up and does something about it. Although I write this little piece every week for him and he pays me for doing it, he isn't paying me to give him this long-overdue praise which is rightfully due him.

But isn't it about time that the security dealers of this country did something for themselves? Is it true that the people who are in the securities business cannot organize to defend themselves? What is wrong? Is it that there is no leadership? Is it that we are inherently more concerned with our own selfish interests as is claimed by some, that we are so busy chasing eightths and quarters day after day, that we won't cooperate to protect our interests from the onslaughts of over-zealous bureaucrats, politicians and attorney generals who have so little to do that they have to go out on a trouble-making mission in order to get their name in the papers? If it isn't the SEC that is over-reaching its powers it is some Attorney General or the NASD. The security business is the most over-regulated business in America today!

### What Is Needed?

The answer to over-regulation is organized resistance. The only remedy is simple. A nationwide organization should be formed with one specific purpose in mind and that is protection. It should protect the individual dealer from unwarranted abuse of power by the SEC or any other government agency. For instance, if there is a case where a dealer has undergone a routine investigation by the Commission and some technical violations have been charged resulting in the release to the press by the Commission of such charges, the Commission should have its ears pinned back. A dealer's reputation is his most valuable asset. The SEC should be sued in court for damages if unproven and unfounded charges are hurled against a firm and later are disproven. If everytime some bureaucrat gets a brainstorm about minimum capital provisions, 5% gross mark-up limitations, full disclosure rules and in fact where ever there is an attempt TO MAKE LAWS BY ANY EXECUTIVE AGENCY OF FEDERAL OR STATE GOVERNMENTS, such an association through its joint and cooperative efforts backed up by A SUBSTANTIAL WAR CHEST AND EXPERIENCED ABLE LAWYERS should go into action.

As long as such moribund organizations as now exist in the securities field are supported by the industry all you will get is appeasement, reams of pretty paper to read, and pickles and cake. You can all thank your lucky stars that you've got a fellow like Herbert D. Seibert and "The Financial Chronicle" to fight your battles single handed. It is a cinch Wally Fulton, and some of his friends never do it.

## Rauch to Represent Drexel in New England

## NASD Dist. No. 12 Makes Appointments

Charles E. Rauch has become associated with Drexel & Co., members of the New York Stock Exchange, and will represent the firm in New England. Prior to his four years of war service, Mr. Rauch was Assistant Treasurer of the New Haven Savings Bank and has also represented the firm of Wood, Struthers & Co. in the New England territory.

PHILADELPHIA, PA.—William K. Barclay, Stein Bros. & Boyce, has been made chairman of NASD's public relations committee for District 12. Other committee appointments are: Robert G. Rowe, Stroud & Co., to railroad advisory committee; George J. Muller, Janney & Co., to traders committee; C. P. Colwell, Merrill Lynch, Pierce, Fenner & Beane, uniform practice committee.

## Mary Lee Candies, Inc.—Common

## \*Denman Tire & Rubber Co.—Common

\*Prospectus on request

## HERRICK, WADDELL & CO., INC.

55 LIBERTY STREET, NEW YORK 5, N. Y.

## Over-the-Counter Quotation Services For 34 Years

## NATIONAL QUOTATION BUREAU, Inc.

Established 1913

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Chicago San Francisco

## Washington And You

(Continued from page 1249)

plants with 500 or more horse-power capacity. Its licensing ultimatum to the small Connecticut industrialists indicates the agency was reshaping its policy to (1) control smaller projects, and (2) embrace manufacturing enterprises in no sense public utilities. Probability is that FPC will now be denied more money, will cast away its expansion grab, will be subjected to a penetrating congressional inquiry.

FPC steersmen have successfully sought to avoid public scrutiny and discussion of the licensing and capture powers. Hence, revelations on Commission policy and intent must be prefaced by investigation, will be deferred temporarily.

Says Congressman Miller . . . "Today we have a Congress which thinks differently than did the 1935 Congress. It's my judgment that through operation of this licensing and capture power the Government 50 years hence could distort and reshape the nation's economy. I propose to see that Congress is further informed on the Power Commission's objectives, and I'm confident Congress thereafter will want to reconsider the Federal Power Act and amendments."

FPC may also be shucked of meddlesome ambitions because of its expanding natural gas operations. Not content with regulating interstate pipeline flow, the Commission is snatching at end operations—collection and distribution of natural gas. Accompanied by charges that the agency is exceeding congressional intent, Senate and House bills have been introduced restricting FPC curbs to pipeline transactions.

April showers will bring a House Banking Committee inquiry into the effects of Government credit controls upon the country's economy. The probe will be specific in intent—the minimizing of such controls. It will be generalized in operation—will deal broadly with the whole issue of credit sculpturing, specifically with orthodox and unorthodox methods as the generalized pattern is traced. Hearings will commence early next month. Legislative action of some character is unavoidable before RFC expires June 30.

Stock Exchange margin trading will be one of the specific controls X-rayed by the Banking Committee. Also Federal Reserve Board's request for permanent power to juggle consumer credit.

St. Lawrence waterway has been given the deep freeze treatment and won't be thawed out until Treasury surplus becomes practically prodigious. Even the project's most ardent apostles agree it has been frozen by Republican budgeteers into a temporarily inanimate state.

Taxation of co-operatives won't progress this session beyond the discussion stage—in fact won't even sprout much discussion. Farm area Republicans have convinced colleagues the co-ops shouldn't be touched until after the Presidential election. Incidentally, when the philosophy of taxing co-operatives is finally hauled out for inspection, it may be accompanied by the dusting off of that sacrosanct institution by which mutual insurance companies have retained preferential treatment.

notice of intentions would save businessmen from embarrassing commitments and lessen the necessity for litigation.

Congressional passage of legislation immunizing public carriers from antitrust prosecutions for collaborating with the Interstate Commerce Commission in fixing rates was assured when the Senate Commerce Committee this week OK'd the proposal. White House reception may be less cordial.

The canning and frozen food industries may reasonably conclude the House will alter or reject the Hope bill extending production and marketing legislation to fruits and vegetables. In effect, the measure would permit the Government and growers to control food processing and marketing. If the bill gets out of committee unchanged, it will provoke a rowdy floor fight.

Republican leaders have fumbled their last chance of giving the country a unified economy outlook. Cracking the whip for the first time, Speaker Martin lined up all but one House Republican for the \$6 billion budget cut. Thereupon Senate Republican leaders dallied, disagreed and came up with a split vote by which a Republican-Democratic coalition substituted a \$4.5 billion reduction. From now until adjournment, House and Senate Republicans will continue to row over budget paring.

## NY Curb to Honor Posner and Truslow

The members of the New York Curb Exchange will be hosts at a dinner to be given Thursday evening, March 20th, at the Park Lane Hotel in honor of Edwin Posner, Andrews, Posner & Rothschild, retiring President of the Exchange, and Francis Adams Truslow, who will assume the Curb presidency shortly.

Among the other guests of honor to be present are Edward C. Werle, Chairman of the Board of the Curb Exchange, Emil Schram, President, and other officials of the New York Stock Exchange, members of the Securities and Exchange Commission, and representatives of other organizations in Wall Street.

## Parkinson to Address State Chamber March 6

Thomas I. Parkinson, President of the Equitable Life Assurance Society of the United States, will address the March meeting of the Chamber of Commerce of the State of New York at 65 Liberty Street on March 6. Mr. Parkinson, a former President of the Chamber, will speak following the business session which begins at 12 o'clock noon. President Peter Grimm will preside.

## Newburger, Loeb & Co. Add Two to Staff

Newburger, Loeb & Co., members of the New York Stock Exchange and other Exchanges, announce that Frank C. Chaffee and Louis Friedman have joined the organization as customers' brokers in the firm's main office at 15 Broad Street, New York City.

## G. F. Bennett Dir. of North American Co.

George F. Bennett of Boston has been elected a director of The North American Company, 60 Broadway, New York City. Mr. Bennett is a partner of State Street Research & Management Company of Boston and is well known in financial circles.

# UNION CARBIDE AND CARBON CORPORATION AND SUBSIDIARIES

OPERATING IN THE UNITED STATES AND CANADA

## CONSOLIDATED BALANCE SHEET

**December 31, 1946**

### ASSETS

#### CURRENT ASSETS

<b>Cash</b>	\$111,775,470.91
Marketable Securities (Cost or Market, whichever lower)	1,740,731.00
<b>RECEIVABLES (After Reserve for Doubtful)</b>	
Trade Notes and Accounts	\$ 46,008,827.89
Other Notes and Accounts	5,624,820.66
<b>INVENTORIES (Cost or Market, whichever lower)</b>	51,633,648.55
<b>TOTAL CURRENT ASSETS</b>	91,749,094.31
	<b>\$256,898,944.77</b>
<b>FIXED ASSETS (Cost or less)</b>	
Land, Buildings, Machinery, and Equipment	\$420,201,743.69
Deduct—Reserves for Depreciation and Amortization	269,101,493.22
	151,100,250.47
<b>INVESTMENTS (Cost or less)</b>	
Affiliated Companies	\$ 2,581,886.13
Foreign Subsidiaries	24,180,485.44
	26,762,371.57
<b>DEFERRED CHARGES</b>	
Prepaid Insurance, Taxes, etc.	2,393,052.01
<b>POSTWAR REFUND OF EXCESS PROFITS TAX (Canadian Subsidiaries)</b>	1,858,739.97
<b>PATENTS, TRADE-MARKS, AND GOODWILL</b>	1.00
	<b>\$439,013,359.79</b>

### LIABILITIES

#### CURRENT LIABILITIES

<b>Accounts Payable</b>	\$ 22,331,918.77
Dividend Payable January 1947	7,024,866.00
<b>ACCRUED LIABILITIES</b>	
Income, Excess Profits, and Other Taxes	\$ 44,541,880.60
Other Accrued Liabilities	6,400,905.79
<b>TOTAL CURRENT LIABILITIES</b>	50,942,786.39
	<b>\$ 80,299,571.16</b>
<b>DEFERRED LIABILITIES UNDER GOVERNMENT CONTRACTS</b>	1,648,143.82
<b>ACCRUED PROVISION FOR WARTIME ADJUSTMENTS</b>	6,951,325.88
<b>RESERVE FOR POSTWAR CONTINGENCIES</b>	15,000,000.00
<b>CAPITAL STOCK OF UNION CARBIDE AND CARBON CORPORATION—No Par Value—Not including 136,649 shares held by the Corporation</b>	
9,277,788 shares	\$192,879,842.43
88,700 shares issued under Stock Purchase Plan for Employees and held by the Corporation as collateral (See Note 7)	10,289,200.00
9,366,488 shares at December 31, 1946	203,169,042.43
Less present amount of Agreements, after deducting \$6,651.43 applied as mentioned in Note 7	10,282,548.57
	192,886,493.86
<b>EARNED SURPLUS</b>	\$142,227,825.07
	335,114,318.93
	<b>\$439,013,359.79</b>

## CONSOLIDATED INCOME AND SURPLUS STATEMENTS

**Year Ended December 31, 1946**

### INCOME STATEMENT

#### INCOME

Gross Sales—Less Discounts, Returns, and Allowances	\$414,988,315.57
Other Income (Net)	4,060,510.93
	\$419,048,826.50
<b>DEDUCTIONS</b>	
Cost of Goods Sold, Selling, General, and Administrative Expenses	\$311,303,725.59
Depreciation and Depletion	14,866,377.80
Income and Excess Profits Taxes	35,727,371.22
	361,842,474.61
<b>NET INCOME FOR THE YEAR</b>	\$ 57,206,351.89
Net Income per Share—On 9,366,488 shares outstanding	
December 31, 1946	\$6.10

### SURPLUS STATEMENT

<b>EARNED SURPLUS AT JANUARY 1, 1946</b>	\$115,968,110.65
<b>ADDITIONS</b>	
Net Income for the Year	\$ 57,206,351.89
Adjustment arising from revaluation of Canadian dollar to parity with United States dollar	2,370,643.37
	59,576,995.26
<b>DEDUCTIONS</b>	
Dividends Declared	\$ 27,966,414.00
Payments on Annuities relating to prior years under Retirement Plan for Employees	5,150,970.59
Decrease in Market Value of Marketable Securities at December 31, 1946	199,896.25
	33,317,280.84
<b>EARNED SURPLUS AT DECEMBER 31, 1946</b>	\$142,227,825.07

#### NOTES RELATING TO FINANCIAL STATEMENTS

1.—The principles used in preparing the accompanying consolidated statements for the year 1946 are as follows:

All subsidiaries that are one hundred per cent owned, and operate in the United States and Canada, are consolidated.

Current assets, deferred charges, current liabilities, and income of Canadian subsidiaries consolidated are converted at the official rates of exchange. Other assets and liabilities of Canadian subsidiaries consolidated are converted at the prevailing rate at time of acquisition or assumption.

Foreign subsidiaries, all one hundred per cent owned, are shown as investments. Only that part of the income of foreign subsidiaries which was received during the year as dividends is included in income. Unaudited reports covering less than a full year indicate that the income of companies paying such dividends will exceed the amount of dividends paid.

Affiliated companies, less than one hundred per cent but not less than fifty per cent owned, are also shown as investments. The equity in the net worth of these affiliated companies increased \$2,082,770.10 between January 1, 1938 (or date of acquisition, whichever is later), and the date of latest unaudited reports received. Of this increase, \$835,723.23 is applicable to the current period. The consolidated income does not include any part of the undistributed net income of affiliated companies.

Payments relating to years prior to July 1, 1937, were made to insurance companies to complete the purchase of Post-Service Annuities under the Retirement Plan. These payments amounting to \$2,202,194.09 were charged to Surplus. This method has been consistently followed since adoption of the Retirement Plan on July 1, 1937.

The Retirement Plan was modified during the year, as authorized by the stockholders on April 16, 1946, and made effective as of May 1, 1946, to provide benefits to survivors of employees who die within ten years of normal retirement date, and to provide 10-year certain payments upon retirement. To effect the modification of the Plan on May 1, 1946, a payment of \$2,948,776.50 was required to convert annuities of employees who were then within ten years of normal retirement date. This amount has also been charged to Surplus. Payments for converting annuities after May 1, 1946, and payments relating to service during the current year were charged against income and such payments in future years will be charged against income.

3—Income and Excess Profits Taxes as computed for the year 1946

are lower and Net Income is higher in the amount of approximately \$1,142,500 by reason of charges to Surplus representing that portion of Payments on Annuities relating to prior years under the Retirement Plan for Employees allowable as a deduction in computing such taxes for the year. The balance will be deducted in computing income taxes in subsequent years.

Income and Excess Profits Taxes for the year 1946 as set forth in the Income Statement and Accrued Liabilities for Taxes as shown in the Balance Sheet at December 31, 1946, have each been stated after deducting \$1,582,590.00 representing estimated refunds to several subsidiaries under carry-back provisions of the Internal Revenue Code.

4—All emergency facilities completed on September 29, 1945, were fully amortized prior to January 1, 1946, although many are still in use. There are no charges against 1946 income nor will there be charges against income in future years for depreciation or amortization of such facilities.

5—Union Carbide and Carbon Corporation has agreed to maintain the assets held by the Trustee of the Savings Plan for Employees in an amount sufficient to permit the distribution of the Trust Estate to the persons entitled thereto.

6—A review of the operations for the year 1944 under the Renegotiation Act has been completed. Under the final settlement a reduction has been made of \$17,536,000.00 in the value of sales and of income before taxes for that year. After allowance of \$14,719,845.42 paid in taxes, the net refund to the Government in the amount of \$2,816,154.58 has been charged to Accrued Provision for Wartime Adjustments. The amount of the net refund applicable to the year 1945 under such Act has not been determined. Any refund to the Government for that year will be charged to Accrued Provision for Wartime Adjustments.

7—During 1946 the Corporation entered into Agreements with 127 employees, including 11 officers of the Corporation, covering 88,700 shares of its capital stock under the Stock Purchase Plan for Employees as approved and authorized by the stockholders in 1946. The Agreements set forth a price of \$116 per share, which was the closing quotation on the New York Stock Exchange on the date preceding the offering. Under the terms of the Plan the price or prices shall be such price or prices as shall be fixed by the Board of Directors in its discretion, but not lower than seventy-five per cent of the market price. Each participant has five years to complete payment and interest at the rate of two per cent per annum will be paid on the unpaid balance. Each participant has also agreed to apply against the unpaid balance the amount, if any, by which the dividends paid to him exceed

the interest. The aggregate amount so applied on December 31, 1946, was \$6,651.43. The Board of Directors may take such action from time to time with respect to extension of time of payment as in the discretion of the Board is in the best interest of the Corporation. Stock covered by the Agreements is pledged by the participating employees as collateral security for payment. The Plan provides that if a participant shall die the Corporation will offer, for a period of six months following his death, to repurchase the unpaid-for shares at the price to be paid by such participant.

8—Union Carbide and Carbon Corporation and several subsidiaries are defendants in suits brought by employees for additional wages for the current and prior years, an equal amount as liquidated damages, and attorneys' fees and costs. Such suits, commonly referred to as "Portal-to-Portal Pay Suits," present a serious problem to American industry in general.

It is impossible to foresee the outcome of these suits and no provision therefor has been made out of income for 1946.

#### AUDITORS' REPORT TO DIRECTORS AND STOCKHOLDERS OF UNION CARBIDE AND CARBON CORPORATION:

We have examined the balance sheet of Union Carbide and Carbon Corporation and its one hundred per cent owned subsidiaries operating in the United States and Canada, as of December 31, 1946, and the statements of income and surplus for the year then ended, have reviewed the system of internal control and accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Except that it was not practicable to confirm receivables from United States Government agencies, as to which we have satisfied ourselves by means of other auditing procedures, our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of Union Carbide and Carbon Corporation and its subsidiaries consolidated at December 31, 1946, and the results of consolidated operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HURDMAN AND CRANSTOUN  
Certified Public Accountants  
New York, N. Y., March 1, 1947.

## Canadian Securities

By WILLIAM J. MCKAY

Canada in the past has been overshadowed by the dynamic glamorous progress of her great neighbor to the South to such an extent that a decided Canadian inferiority complex has been developed. During the war the intimate collaboration with this country and the notable achievements of the Dominion stimulated worldwide interest in the Canadian situation, but Canada itself, did little to satisfy the desire for greater information concerning Canadian affairs.

This modest diffidence has at times given rise to grave misconceptions and failure to grasp basic Canadian problems. Sweeping conclusions have been reached as a result of casual analysis and a lack of information from authoritative Canadian sources. During the war, for example, until the Dominion Minister of Finance made a formal statement in New York it was not realized here that Canada was not the recipient of Lend-Lease aid. For the same reason Canadian politics have also been misinterpreted abroad. On the basis of sketchy study it was recently believed that Canada had taken a violent swing to the left and was on the verge of red revolution. As a matter of fact the advance of the CCF proved to be a nine days' wonder and Canada today with this country stands out as the last great bulwark of conservative democracy.

In the field of finance Canadian achievements and management have received somewhat fulsome external praise but the performance of this young country of only 12 million people has possibly not been fully appreciated abroad. During the war Canada was surpassed only by this country in the furnishing of food and munitions to the Allied nations. At times moreover the Dominion was able to fill urgent requirements south of the border. At the same time out of her own resources and with no external financial assistance whatever, Canada supplied Mutual

Aid to Britain and other Allies, and still managed to keep a healthy balance in the domestic budget.

This description perhaps does not even do full justice to the situation. At the close of the war Canadian finances emerged stronger than ever before. More than half of the Dominion's enormous wartime expenditure was raised by current taxation and 80% of the Victory Loans was raised outside the banks from the resources of the people. During the same period moreover Canada in spite of the exceptional strain on her finances was able to achieve the unique feat of drastically reducing the direct net external debt. This was accomplished also without undue depleting of the Dominion's fund of foreign exchange. On the contrary at the end of 1940 Canada had a reserve fund of U.S. dollars of approximately \$1½ billions.

Since then as a result of reconversion effort (including the restoration of the dollar to its old parity) generous foreign lendings and the incidence of the British crisis, this fund has been considerably reduced. However despite this extraordinary strain on its reserve resources, the financial and economic position of the Dominion is immeasurably stronger than before the war. It is possible that the Canadian economic and commercial policy might have to be reoriented to some degree, but in view of the enormous undeveloped resources of the country, its proven capable economic and financial management, and the character of its people, there is not the slightest reason to doubt that Canada will emerge as strongly from the present world-wide crisis as she did from the stern test of the war.

It would be a constructive step however on the part of the Dominion if less diffidence were displayed in its relations with abroad, and if it were more fully recognized that the world at large is intensely interested in Canadian affairs and would welcome more authoritative information concerning current Canadian problems. One case in point is the free market for Canadian funds. This market was instituted for the convenience of this country but since its inception the Canadian authorities have minimized its importance and to all intents and purposes left it to its own devices. As a result, the wild fluctuations of this unwanted appendage of the Canadian foreign exchange system more often than not reflects detrimentally on the Canadian financial position as a whole and also serves to contradict the action taken in restoring the official dollar to its old parity. A formal definite announcement of intention in this case, or the removal of this cause of doubt would undoubtedly be highly constructive and beneficial to Canadian interests.

During the week the market remained dull and inactive. Activity in externals was confined to the new Montreal issue which apparently has not yet been fully digested. Internal Dominions were marked down in sympathy with the movement in free funds which weakened to 5% discount but the turnover was negligible. Internal stocks moved irregularly in reflection of the course of the New York market with occasional bursts of activity in the golds.

## The Int'l Monetary Fund and World Prosperity

(Continued from page 1250)  
of contracting the money supply at home (because it made credit more expensive) and, on the other hand, of attracting foreign capital in quest of a higher revenue. Therefore, the balance was soon restored. A cut in the discount rate was made when the trend was in the opposite direction.

### World War I Changes

The war of 1914-1918 upset this arrangement. Most national currencies were more or less inflated during that period. After 1918 it was difficult to know what were the new "correct" relations between their value and the value of gold, and the decisions made were liable to show a large margin of error. In addition, war financing had weakened the international financial position of the United Kingdom and France, which were therefore unable safely to resume the same liberal lending activities which had made their currencies international media of exchange before 1914.

At the same time, the economic strength of the United States had steadily grown. With an increase in economic strength came a steadily increasing capacity for foreign lending, and therefore an opportunity for the dollar, too, to become an international medium of exchange. France and Great Britain had seen their situation seriously impaired, the U.S.A. had turned from a debtor country into a creditor country.

Then came a period, which lasted until 1929, which was marked by two main events: the return of Great Britain, in 1925, to the Gold Standard at the pre-war value of 4.86 dollars to the pound (this value had dropped to 3.38 shortly after the war); and the huge lending policy of the United States.

Great Britain, for many reasons—from which a reason of prestige was not excluded—was anxious to go back to the pre-war parity. But the sterling costs had risen in the meantime more than costs in U.S.A. and should have been reduced if the old parity was to be maintained, for the par value of a currency is the link between internal costs and world markets. The process of reducing costs is what is called the process of deflation. It is a very hard one. And, despite its efforts, the British Government could not achieve the necessary adjustments. Therefore, in 1931, after six years of a very brave but unsuccessful struggle, it had to turn to the other alternative—devaluation with the abandonment of the Gold Standard.

Meanwhile, the United States had assumed a major role in international lending; but they were new to the game and did not always practice it with sufficient discrimination. A great amount of credit went to Germany and the rest of Central Europe. You know what the result was. Very high rates of interest were sometimes charged and all the more readily agreed to because in the minds of some borrowers there was no intention of ever paying back the capital! To add to the trouble, when the lenders realized the insecurity of some of their loans, they became frightened and had a tendency to cut down their lending activities much more sharply than was necessary.

When I mention the lenders, I mean not only this country, but Great Britain, too. She had tried, despite her strained financial position, not to leave the lending entirely to the Americans and, following them, had committed many of the same errors. There was, on the whole, a considerable volume of lending from which it was unlikely that an adequate return would be forthcoming.

You know what happened: after some years of apparent prosperity,

the famous Black Friday on the Stock Exchange on Oct. 29, 1929, the general crash, the depression, the Hoover moratorium—all this black period which culminated in the devaluation of the pound in 1931 and of the dollar in 1933.

### Pre-War Efforts At Currency Stabilization

During the preceding years—between 1925 and 1929—the tendency of most economists and financiers had been to induce the European countries, the currencies of which had been disrupted by the first World War, to stabilize those currencies. And this was done, sometimes at a very low rate which, for the country concerned, proved for some time an excellent means of competition against its rivals; until those rivals retaliated so that, in the end, no one was any better off.

After the pound went off the Gold Standard, a new school of prophets arose. (I say new, although sometimes the prophets were the same.) The older school had preached stability on the basis of the Gold Standard, the second preached devaluation and abandonment of the Gold Standard. Whether they were right or wrong at the beginning is difficult to say. But they were certainly right ultimately, for the Gold Standard could no longer function in the world as it had taken shape. One could apply to it the French saying about the famous mare of Roland which had every virtue in the world except that it was dead.

### Exchange Restrictions

And at that moment every system of multilateral payment based on exchange stability was dead too. There was a general monetary scare. Capital went from one country to another, seeking refuge, trying to escape devaluation, and sometimes going back after a while to the country it had come from. Those movements of "hot money" (as it was called) were most detrimental to the stability of the currencies. At the same time a maze of restrictive devices—quota restrictions, exchange restrictions, etc.—was developed by the governments to protect the position of the weakened countries. These restrictions greatly impeded the smooth flow of international trade, with the result that the total world exports, which in 1913 amounted to \$18.4 billions, had fallen in 1934 to \$11.3 billions, e.g., by almost 40%. (Of course, I have taken the pre-first-war dollar for both figures, in order to make a fair comparison.)

Coming back to the monetary situation proper, you will remember that, at the beginning of this expose, I explained to you the part played by capital movements in stabilizing exchange rates. So long as funds flowed to the markets where they could get the best rates of return, the device of raising these rates could be used to attract capital to a country which needed to import goods or services in excess of its exports. Similarly, the device of lowering rates of returns at home could be used to divert capital toward foreign markets in the case of a country which was in position to develop an export surplus. Capital movements of this type performed a compensatory and balancing role in the ups and downs of international trade. But the moment the rate of return ceased to govern the flow of funds because fear had become the dominant factor—fear of business failure, fear of inflation, fear of exchange depreciation—from that moment the flow of capital became an unstabilizing influence. Capital moved from the weakened countries to the strong and intensified the maladjustments that had developed in the balance of trade.

How can the Fund operate? With what money? The Fund has received, at the beginning of its operations, payment of all the quotas, e.g., \$7½ billions—a part in gold, over two billions in dollars, and the balance in national currencies. This is its operating capital.

This is what I would call the operational aspect of the Fund's activity. It is important. It bears

### The Bretton Woods Agreements

For these reasons—instability of currencies with its most damaging effect on international trade—the question arose during the second World War, and already long before it came to an end, of what would be, what should be the future international monetary system. The pre-war efforts to stabilize national economies without reference to the international repercussions of such steps had often had most unhappy consequences. While there was a strong feeling against any attempt to restore the pre-war system in a post-war world, there was also a strong desire to have some kind of international system, and thus to minimize the risk of mutual frustration and exploitation—although, if possible, a system which would not hamper too much the freedom of national economies to follow their own line. And this is how the Bretton Woods Conference took place and ended in the signature of the Bretton Woods Agreements.

You may think I have dwelt at undue length on the past before coming to the actual subject of this talk. But the past is really part of it. The Bretton Woods Conference and the Bretton Woods Agreements have sprung from the past and are deeply rooted in it. They did not fall suddenly out of a blue sky. They came gradually out of a very dark sky, the sky overhanging the world between the two wars. And from them emerged the International Monetary Fund, which I shall now be able to describe, against the background of this inter-war period, much more easily than I could have done a quarter of an hour ago. Maybe I shall even be able to do it in a few words, and thus satisfy the wish of my charming neighbor of some evenings ago.

### Functions of International Fund

What is the activity of the Fund? It sells to the member countries the foreign exchange they want against their own currency. In other words, it establishes between them that convertibility of currencies which existed before 1914. As I have recalled it, you could get freely, at that time, any world currency for a national currency—pounds sterling, French francs, dollars. Within the framework of the Fund you can get them again. Of course, this is not absolute and unlimited. It takes a lot of things to make a world and we shall be very happy if we can help towards making the beginning of a world.

Those sales of foreign exchange are, in fact, loans—loans intended to tide over a country which is temporarily out of balance. And they are limited in terms of volume and in terms of time. In other words,—and this is quite understandable, for it were not so, the Fund would run the risk of losing its strongest currencies—no country can buy, within twelve months, more than a certain part (a quarter) of its quota, e.g., a quarter of the amount it has subscribed, and never more than an aggregate of 125% of the same quota. Moreover, when a country makes use of the Fund's resources it must utilize its own reserves in equal amount, and it must repurchase from the Fund its currency as its reserve position is improved.

How can the Fund operate? With what money? The Fund has received, at the beginning of its operations, payment of all the quotas, e.g., \$7½ billions—a part in gold, over two billions in dollars, and the balance in national currencies. This is its operating capital.

This is what I would call the operational aspect of the Fund's activity. It is important. It bears

on huge sums. They will enable the Fund to render financial assistance on a substantial scale as opportunities for sound and constructive action develops. On the other hand, in given circumstances, the Fund may refuse a member access to its resources.

But the Fund has other powers and duties, just as important: it has, above everything, the power and duty to advise and to help. At any moment a member may seek this advice. At any moment the Fund may, as required, give it. It must be in close and permanent contact with each member, so that it can, better than anybody, form an overall picture of the exchange structure of the world. This is the reason why its intervention is provided for by the Bretton Woods Agreements every time a member decides to alter the par value of its currency, whether up or down. The Fund will approve such adjustment when it has satisfied itself that it is the means—the only proper and practical means—of correcting a fundamental, lasting disequilibrium in that member's situation. The Fund will not countenance it, however, if it proves to be a mere solution of facility or, worse, a competitive depreciation like those I have previously mentioned. Any member which alters its rate by more than 10% without the Fund's concurrence may be denied the right to use the Fund's resources or even forced to withdraw from membership altogether.

Now I have just outlined to you, in general terms, the origin, the machinery and purposes of the Fund. May be, when listening to me, some of you thought that it was too simple and, to be more precise, too good to be true.

#### U. S. Foreign Policy and the Fund

Well, I am going to be quite frank and I am going, at the same time, to tread on very thin ice. One of your members wrote to me: "The point we want to put over is that our Economic Policy must conform with our Foreign Policy if peace is to be preserved, and I am confident that you can do this most ably." This is precisely what I am **not** going to do. I am not going to butt into your own internal affairs. I am here—a foreigner—a most friendly foreigner—who admires and loves America, who has come over here at least once a year for the last 18 years, but a foreigner, nevertheless, and therefore it is not up to me to tell you what the United States should do or should not do in the economic field. But it is quite up to me to tell you what is necessary to the life and development of international trade; it is quite up to me to tell that the life and development of international trade are indispensable to the welfare of the world, and the world includes—happily—the United States of America. But you certainly understand that I want to be quite precise and avoid all misunderstanding on a somewhat delicate matter. I have done it now and may speak freely.

Now I am coming back to what I said: "Is it too good to be true?" I hate, above all, what we call "bleating optimism." I never indulged in it. Nevertheless, my answer is: "No, it is not too good to be true—but, with one qualification: it is a beginning."

A few weeks ago I was interviewed on the radio concerning the stability of currencies and I said: "Of course, people tell you that there is no stable currency without a sound economy. And they are right. The economists, in turn, tell you that there is no sound economy with bad politics. And they are right, too. And the politicians tell you that most wars are due, not to politics, but to economic causes. And thus closes the vicious circle."

But there is no reason, when

you find yourself faced with a vicious circle, to sit down and say: "Amen." It is just the moment to get up and to break it.

This is just what we are doing. We are trying to break the vicious circle in its monetary part. This is quite feasible. This is, in fact, what my Government did in Belgium, in a much more limited field, in 1944 and 1945. And I think I may say that the results, according to general opinion, were satisfactory. Here, the Fund, too, will make a beginning in tackling the monetary problem first.

#### Importance of United Nations

It goes without saying that if the world goes topsy-turvy again and if it is ravaged by wars—big military wars or big economic wars—the Fund is bound to be a failure. Speaking bluntly, if U.N. were to go on the rocks, if there

were to be no international trade organization; if, in other words, under civilized appearances, we were to return, in a way, to the law of the jungle, it would be a farce to speak of international exchange stability. But if we can have, for a minimum of time, a world endowed with a minimum of stability—of course, I am not asking for a Paradise; this will come after our death, perhaps, and probably not for former members of Governments—I think that the Fund, together with other instrumentalities, existing or to be set up, can most usefully participate in the general recovery of the world. The Fund would be one of the first links in a big chain, the chain of economic security. And in this regard it would play its part in the rehabilitation and prosperity of man-

kind.

## Wm. A. Lyon Appointed By NY Banking Dept.

The appointment of William A. Lyon to the newly created position of First Deputy Superintendent of the Banking Department was announced by Elliott V. Bell, Superintendent of Banks. The appointment was effective Saturday, March 1. Mr. Lyon continues as Secretary of the Banking Board.

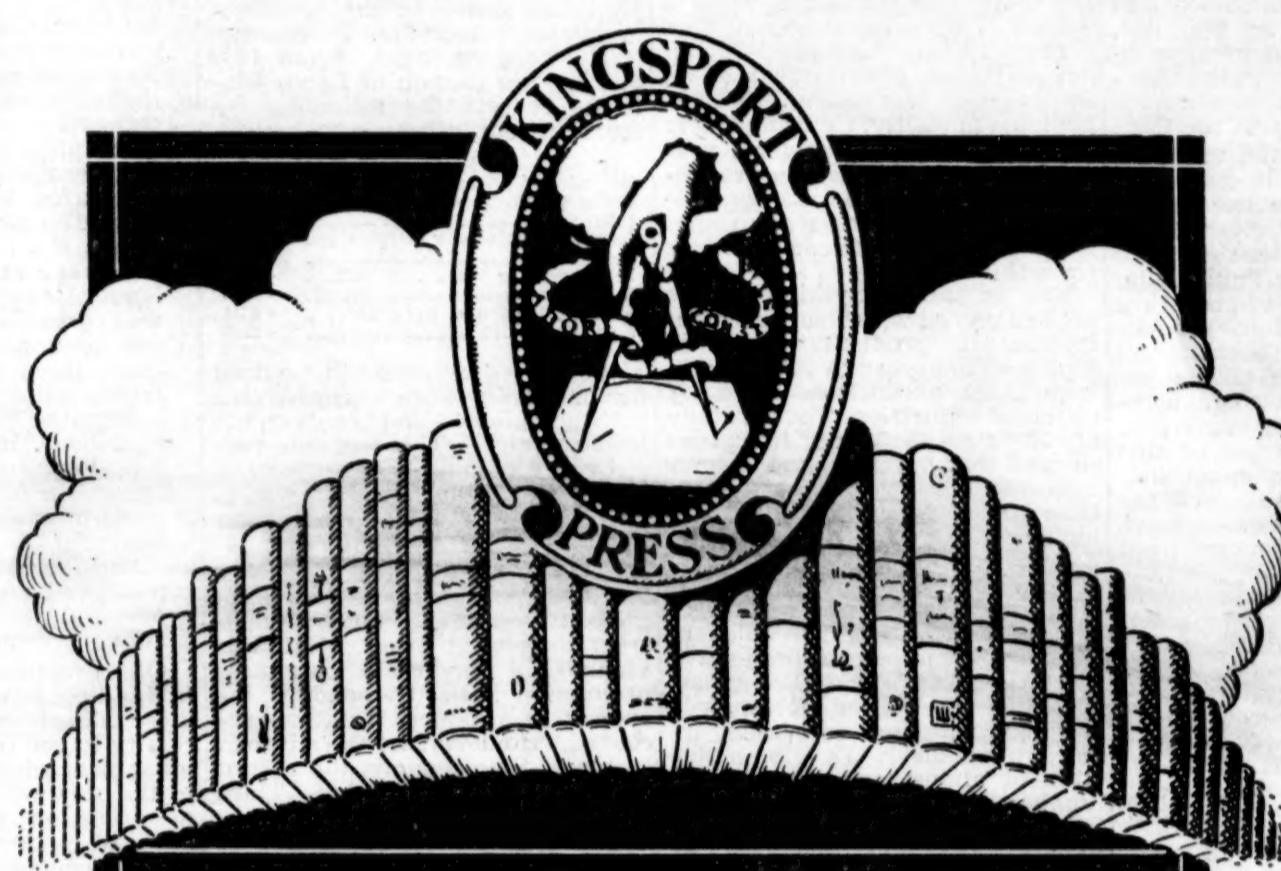
For four years Mr. Lyon has been Executive Assistant to the Superintendent. Before that he was for a number of years a member of the financial news department of the New York "Herald Tribune," specializing in news on money and banking.

## J. P. Morgan & Co. Fiscal Agents for Australian Bonds

J. P. Morgan & Co. Incorporated and The National City Bank of New York have been appointed Fiscal Agents for an issue of \$45,000,000 principal amount of Commonwealth of Australia 15-Year 3½% bonds due Feb. 1, 1962. The National City Bank is also the Countersigning Agent.

#### With Security Adjustment

BROOKLYN, N. Y.—Security Adjustment Corp., 16 Court Street, announces that William E. Kenny has been appointed to the Public Relations Department in charge of retail sales. He was formerly with Merrill, Lynch, Pierce, Fenner & Beane.



## Books—From Bibles to Buck Rogers

**M**ANUFACTURING all sorts of books, from Bibles to juvenile fiction, Kingsport Press, Inc., Kingsport, Tennessee, consumes in excess of 50 tons of printing paper daily as it prints and binds around 2,000,000 books per month.

Producing nothing but books, Kingsport Press operates as contract book manufacturers to many of the leading book publishers of the United States. The Company's facilities are complete for book making from the manuscript to the bound volume—including typography, electrotyping, supplying of paper, printing, binding, warehousing and direct shipping.

Present capacity will be increased to 3,000,000 books per month with the delivery of new equipment now on order. The Company plans to add offset lithography to its production processes in 1948.

The Company regularly employs some 1,300 persons. Wages and salaries in 1946 totaled \$2,107,500. Paper for the books and cloth for the covers are produced in part in adjacent plants.

During the war the Company doubled its dollar volume, at the same time limiting its production to supplying the needs of its older clients. For many years Kingsport Press has ranked as the largest book manufacturing plant in the world.

Another advertisement in the series by Equitable Securities Corporation featuring Southern industrial development. Equitable has helped to finance many Southern industries, is ready to do its part in supplying others with capital funds.

## EQUITABLE Securities Corporation

BROWNLEE O. CURREY, PRESIDENT

322 UNION STREET, NASHVILLE 3, TENN.

NEW YORK  
MEMPHIS  
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TWO WALL STREET, NEW YORK 5, N. Y.



riars to production. But there are positive factors making for a rise in productivity. Three must be mentioned.

1. Improvement in machinery and equipment.
2. Better planning and shop management.
3. Greater volume of production.

The large increase in physical plant and equipment and the many improvements in production techniques developed during the war are familiar to all of us. Since the end of the war, new plant and equipment has been bought in record amounts. Thus in 1946, expenditures on plant and equipment by all American industry aggregated almost \$12 billion or more than 25% greater than the previous peak peacetime outlay in 1929.<sup>15</sup> However, the physical plant did not increase by this proportion since part of the greater expenditures reflected the effect of higher prices.

For manufacturing alone, expenditures for plant and equipment in 1946 have been estimated at almost \$6 billion—and expenditures have been rising steadily in every quarter since the beginning of 1945.<sup>16</sup> These new investments when added to the salvageable part of the plant and equipment built during the war, add up to greater toolpower for the worker and hence greater productivity.

I would like to say a few words about the relationship between volume and productivity. Two types of increases in volume must be sharply distinguished:

1. Increases from less than capacity to capacity production; and
2. Increases due to an expansion in total capacity or the installation of new and more efficient plant and equipment.

The former is a short run phenomenon and one that will be important in the months ahead for many industries which suffered from "transitionitis" last year. Increases in output per man-hour because of an expansion in total capacity or the substitution of new tools is a long run phenomenon. It depends upon new developments in technology and upon an economic environment conducive to making the necessary investment required to expand capacity. By its nature, it is necessarily slower than gains due to better utilization of existing plant and equipment. Output per man-hour can rise sharply as low level operations are replaced by capacity or close to capacity operations in the durable goods industries.

Well, where does this leave us in connection with productivity in 1947? On balance, I anticipate that productivity at the end of 1947 will be greater than at the present time. If I were to hazard a guess as to the magnitude of the increase, a 5 to 7% rise for all manufacturing would seem to be reasonable. Of course, it will be recognized that the experience among industries will vary widely. It would seem logical to anticipate that in general the greatest gains will be recorded in those durable goods industries which suffered transition pains last year while a poorer showing seems probable for the non-durable goods sectors of the economy.

There is one development which must be kept in mind in measuring future changes in productivity. I refer to the large increase in hours paid for but not worked. The increase in paid vacations, portal to portal pay, sick leave and other developments of the past few years have added to the number of hours paid for but not worked. Output per man-hour data are usually based on hours paid for rather than hours actually worked. To the extent that there is an increase in the number of hours paid for but not worked, the statistics of productivity will

be held down and the increases that might be anticipated upon the basis of expending toolpower will not be reflected in the available statistics. Hoarding of labor by management has had a similar effect upon these statistics during the past year. Part of the gains in productivity for actual working hours will be used to pay for this idle time; to the extent this is true such gains cannot also be used to pay higher wage rates or to lower prices.

The foregoing discussion has emphasized the dimensions of past and future increases in productivity. Clearly, modest gains rather than miracles are to be anticipated from productivity. With this background let me close with some summary observations regarding the probable trends of prices in the periods ahead.

1. The cost of living index is either at its peak or has actually passed it.
2. We have already witnessed declines in food prices and lower prices seem probable.
3. Clothing and textile prices seem destined for lower levels as the year moves on.
4. Prices of "hard goods" may be expected to rise somewhat more if further large wage increases are granted. Otherwise, I suspect that they, too, are at their peak with moderately lower prices probable later in the year.
5. Rents will move higher.

The extent of the decline in living costs will depend upon what happens to wages. Past experience has demonstrated a close relationship between unit labor costs and the prices of finished manufactured goods.<sup>17</sup>

Wage increases will make impossible the price reduction which is so urgently required; on the contrary, for the affected products it will mean higher prices in many instances. However, it is probable that the higher cost of non-food products will be more than offset by the decline in food prices so that on balance living costs will still be moderately lower. This will be only minor consolation to the many groups who have been badly squeezed by the rise in living costs and whose main hope for relief is a substantial reversal of that rise.

Labor has been emphasizing that large profits make possible a 25% wage increase without the necessity for raising prices. As I have demonstrated elsewhere,<sup>18</sup> this claim is fallacious. However, there are some sectors of the economy where profits are large enough to permit either wage increases or price decreases. It must be remembered that a price decrease helps everyone while a general wage increase will benefit fewer than a third of our people. Where such situations prevail, the national interest, as well as that of the company or industry affected, will best be served if the alternative of lower prices is adopted.

<sup>17</sup> *Productivity and Progress*, The Conference Board, 1946, p. 17.

<sup>18</sup> Jules Backman and H. R. Gainsbrugh, *Profits in the National Economy*, The Conference Board, 1947, and Jules Backman, *Critical Appraisal of the Nathan Report* (mimeographed), American Iron and Steel Institute, Jan. 10, 1947.

## Gimbernat & Sellwood To Be Formed in N. Y.

Gimbernat & Sellwood, members of the New York Stock Exchange, will be formed as of March 15th with offices at 111 Broadway, New York City. Partners will be Jules R. Gimbernat, Jr., Richard M. Sellwood, Jr., Irving H. Isaac, and Harold S. Stohell, the firm's Exchange member.

Mr. Gimbernat has been a partner in Ira Haupt & Co., with which he has been associated for many years. Mr. Sellwood has been doing business as an individual floor broker.

## City Bank Farmers Trust Co. 125 Years Old

The City Bank Farmers Trust Co. of New York, first company in America to receive trust powers, is celebrating its 125th anniversary. On the last day of February, 1882 the State Legislature of New York acted favorably on a petition by John T. Champlin and associates by granting them a charter under the name of Farmers Fire Insurance and Loan Co. John T. Champlin became the first president. In 1885 the fire insurance business was discontinued and the name was changed to Farmers Loan & Trust Co. the following year.

In June 1929 the Farmers Loan & Trust Co. became affiliated with National City Bank of New York under the name of City Bank Farmers Trust Co. as a consolidation of the trust organizations of Farmers Loan & Trust Co. and of National City Bank.

### A. D. B. Pratt Dead

Alexander Dallas Bache Pratt, retired New York stockbroker, died in Palm Beach, Fla.

## Investment Bond Club of Portland Elects

PORLAND, OREGON—The Investment Bond Club of Portland held their annual election of officers and a Board of Governors Feb. 21, with the following results: President, Lawrence W. Shiels,



Camp & Co.; Vice-President, George A. McFaul, Hess & McFaul; Secretary and Treasurer, L. Brooks Regan, Foster & Marshall. Other members of the Board of Governors elected were: Elbert H. Greene, Conrad, Bruce & Co., and Ray K. Daugherty, Daugherty, Cole & Co. Don R. Van Boskirk, Atkinson & Jones, was the retiring President.

## BARNSDALL OIL COMPANY

and Subsidiary Companies

### Consolidated Balance Sheet—December 31, 1946

ASSETS	
Current Assets:	
Cash	\$ 7,554,028.83
U. S. Government Securities, at Cost	13,903.13
U. S. Treasury Tax Notes, at Cost	520,000.00
Accounts Receivable	3,235,366.86
Inventories of Crude Oil, at Market	108,926.19
Inventories of Oil Products, at Market	171,045.43
Inventories of Supplies, etc., at lesser of Cost or Market	752,473.36
Total Current Assets	\$12,355,743.80
Investments in Stocks, Bonds and Mortgages of Other Companies, at Cost or Adjusted Values:	
Bareco Oil Company, Common Stock	\$ 41,633.75
Other Investments	99,319.33
Barnsdall Oil Company Stock Held by Subsidiary Company Not Wholly Owned (4,800 Shares at Par)	24,000.00
Fixed Assets:	
Plant and Equipment, at Cost	\$44,349,614.62
Less: Reserve for Depreciation	25,126,985.76
	\$19,222,628.86
Oil and Gas Leaseholds, Developed and Undeveloped	1.00
	19,222,629.86
Deferred Charges to Operations:	
Prepaid Expenses, Advances, etc.	333,400.76
Total Assets	\$32,076,727.50

### LIABILITIES, CAPITAL STOCK AND SURPLUS

Current Liabilities:	
Accounts Payable	\$ 2,093,162.42
Accrued Expenses	80,176.06
Accrued Taxes, State and Federal	1,066,131.37
Total Current Liabilities	\$ 3,239,469.85
Capital Stock and Surplus of Subsidiary Company Net Wholly Owned by Barnsdall Oil Company:	
Capital Stock	\$ 35,687.00
Surplus	18,393.88
	54,080.88

### Capital Stock (Par Value \$5.00 Per Share):

Authorized	4,000,000 sh.
Issued	2,256,779 sh.
Held in Treasury Dec. 31, 1946	35,472 sh.
Held in Treasury Dec. 31, 1945	35,472 sh.
Outstanding Dec. 31, 1946	2,223,307 sh.
Outstanding Dec. 31, 1945	2,223,307 sh.
Surplus	\$ 3,047,241.45

Earned Surplus, since Dec. 31, 1940 14,619,400.32

17,666,641.77

Total Liabilities, Capital Stock and Surplus \$32,076,727.50

### Consolidated Statement of Income and Earned Surplus

For the Year Ended December 31, 1946	
Gross Operating Income	\$ 17,016,637.40
Operating Charges:	
Costs, Operating and General Expense	\$ 5,539,871.33
Taxes, General	940,132.01
	6,480,003.34
Net Operating Profit	\$ 10,536,634.06

Non-Operating Income:	
Dividends and Interest	\$ 91,381.63
Profit on Sale Capital Assets	3,181.30

	94,562.93
Income Before Deductions	\$ 10,631,196.99
Deduct:	

Interest	220.13
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Profit Before Other Deductions	\$ 10,630,976.86
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Other Deductions:	
Depreciation	\$ 1,497,886.12
Lease Purchases and Geophysical Research Expense	1,544,408.24
Intangible Development Costs	1,812,560.76
Profit Applicable to Minority	(5,979.56)

Net Profit Before Federal Income Tax	\$ 5,782,101.30
Provision for Federal Income Tax	668,289.83

Net Profit Accrued to Company	\$ 5,113,811.47
Earned Surplus at Beginning of Year	11,501,755.90

Less: Dividends Paid	\$ 2,000,976.30
Portion of Dividends Paid to Subsidiary Company	4,809.25

	1,

## U. S. and the Defense of Turkey

(Continued from first page)  
quence would be that American and British oil interests in the Middle East would be seriously jeopardized.

This is the main reason why not only Great Britain but the United States too were behind Turkey during the recent political crisis due to Russia's demand for participation in the defense of the Dardanelles. The Turks believe that, if they let Russian troops occupy the Dardanelles forts, the end of Turkey as an independent state will be a matter of months.

Turkey is the largest and most developed nation in the Middle East; she is the only really modern state. The Turks are a tough and courageous people, they are great patriots, determined to defend their homeland against any foreign aggression. However, today they are struggling against serious political and economic odds.

"We will defend ourselves in any case, if we are attacked," the Turkish Foreign Minister told newspapermen, "but, whether we will win the war or will be conquered, depends on how far the Western world is willing to help us."

### Deterioration of Turko-Russian Relations

Turko-Russian relations have been deteriorating for many years, especially since 1940, when Turkey concluded a pact of friendship and mutual assistance with Britain and France. During the war relations between Turkey and her powerful neighbor in the North remained cool but correct.

According to secret documents, found by American investigators in the archives of the German Foreign Office, Generalissimo Stalin, in 1941, foresaw already, that a showdown between Russia and Turkey was inevitable. "Turkey needs a spanking" Stalin told the German Ambassador at the height of Russo-German friendship.

Turkey's belated declaration of war on Germany and Japan in February, 1945, failed to improve relations with Russia. One month later, Russia not only denounced the Turko-Russian friendship and neutrality pact of 1925 but stated publicly that she would set conditions for the conclusion of a new treaty between the two countries.

These conditions were: (1) Cession of the Kars and Ardahan regions in Eastern Anatolia to Russia; (2) Revision of the Montreux conventions on the Dardanelles; and (3) Russian participation in the defense of the Straits.

The Turkish government, firmly supported by all Turkish parties and groups, flatly rejected these claims. The Turkish position was upheld not only by the other signatories of the Montreux pact but also by the United States which had not signed the convention. Under Secretary of State Dean Acheson declared with Presidential approval that "this country was determined to stand firmly against Russian military expansion into the Turkish controlled Dardanelles." A diplomatic note in this sense was sent to Moscow by the State Department. To show the Russians that the United States "meant business", the American battleship "Missouri" and other units of the American fleet visited Turkish ports, enthusiastically received by the Turkish population.

### Continuing Russian Propaganda

The Russians so far have not reiterated their proposals but there is no indication that they have given up their plan. Russian radio and newspaper propaganda against the present Turkish regime continues without respite. The Russian Ambassador to Turkey has not regained his post. Russia's efforts to stir up unrest among the national minorities in Turkey, such as the Armenians and the Turks, are continuing.

Today, the Russians apparently are preparing their next move on the international chessboard. They believe that time is working for them. Their "wait and see" policy may bring them certain advantages: (1) The Turkish internal situation will deteriorate; (2) The Turkish economy will collapse under strain of continued military mobilization; (3) The United States will withdraw from the Middle East.

### Regime Disintegrating

Since the death of Kemal Ataturk, founder and first President of the Turkish Republic, the one-party regime has been disintegrating. Ismet Inonu, Ataturk's successor at the Presidency, has been a close friend and collaborator to this extraordinary personality. But he has neither the stature nor the stamina nor the prestige of his predecessor. Several members of the governmental "People's Party" seceded from the majority, some time ago, and founded the "Democratic Party," headed by Celal Bayar, Ataturk's Minister of National Economy. The "loyal opposition" supports the Government in matters of foreign policy but it is highly critical on the Government's achievements on the domestic scene. They accuse Inonu and his collaborators of having built up one of the worst systems of secret police supervision in the world. All constitutional liberties and rights have been virtually suspended during recent years.

Foreign observers of Turkish conditions confirm this statement. They add that "Turkish public life has become imbued with corruption and bribery to an extent unknown even at the time of Sultan Abdul Hamid."

The Turkish economic situation has become critical since the end of the war. When the war ended with the victory of the United Nations, Turkey hoped that she could demobilize her army and send home her soldiers, some of whom had been kept under arms for more than five years. But Russian pressure on Turkey forced President Inonu's Government to postpone demobilization of the army which remained on a war footing. Today, Turkey maintains an army of 750,000 which is a very heavy load for a country with a population of only 19,000,000. This is several times the size the resources of Turkey would justify.

The Turkish budget now runs up to 900,000,000 Turkish pounds a year, of which LT 500,000,000 or 55% are spent for military purposes. Turkey's national debt has more than doubled during the war and amounts today to LT 1,500,000,000 against LT 620,000,000.

However, the Turkish state owes nearly all its debt to the Turkish people. Turkey even paid off most of her foreign debts during the war.

### Economy Strained by Military

Nevertheless, continued mobilization of many thousands of her able-bodied men is a heavy strain for the Turkish economy. These men which are kept in frontier garrisons are badly needed by Turkish farms and industrial enterprises. The Turkish program for industrialization has been delayed considerably. Turkey today faces the danger of serious monetary inflation. Banknote circulation in Turkey has increased from LT 190,000,000 before the war to LT 1,000,000,000 in 1946. Prices have been skyrocketing and have been fluctuating during the last years. Prices were up to 715 (1938=100) in 1943 but went down to 459 toward the end of the year. They have remained at this level for the last three years although prices of some articles collapsed suddenly after the war.

### Currency Devaluation

In 1946, the Turkish Government decided to adjust the foreign exchange rate to the reduced internal purchasing power of the currency. The official buying rate of the Turkish pound had been maintained at LT 5.2 for the pound sterling. Actually the exchange rate of the pound was 40% higher as Turkish exporters received LT 7.28 to 7.76 for the pound sterling. The new exchange rate was fixed at LT 11.28-11.39 respectively which reduced the Turkish currency to approximately 50% of its prewar value. The currency devaluation was expected to stimulate Turkish exports abroad, especially the shipments of tobacco to the United States. The sharp reduction of Turkish exports after the war is the second basic element of the economic crisis. Germany before the war dominated Turkish foreign trade absorbing 37% of her exports and supplying 42% of her imports. The United States' share was 14% of the exports and 15% of the imports. Italy, shortly before the war, had become the third important country in Turkey's foreign trade, closely followed by Great Britain, once Turkey's most important customer and supplier.

During the war, Germany and the allies both competed for Turkish goods and were willing to buy them at almost any price. Germany actually needed Turkey's foodstuffs and minerals but the Allies did not want strategic raw materials to come into the hands of the enemy. In 1944, when the Allies had won the battle of the Mediterranean, they obtained agreement from Turkey that all exports of chrome and other minerals to Germany would be prohibited.

Turkey's trade relations with the outside world, therefore, were more dependent on political than on economic conditions. The fluctuation of internal prices which was due to an increasing currency inflation failed to affect the sale of Turkish products to the belligerent nations. When the United States entered the war, Turkey declared that her neutrality was actually favoring the cause of the Allies. She asked and received important amounts of American lend-lease materials to strengthen her military force. American exports to Turkey went up from \$8,300,000 before the war to \$87,300,000 in 1943. 98% of the American shipments went on lend-lease account and comprised military equipment and other supplies.

Today, Turkey's foreign trade position has changed completely. She lost not only her most important market in Germany but also the secondary outlets in Central Europe and in the Balkans which are part of the Russian orbit. The world generally will not pay inflated prices for Turkish agricultural products and minerals.

The currency devaluation which was carried out last summer is expected to stimulate Turkish exports abroad. America has become Turkey's most important customer and bought during 1946 goods worth \$65,000,000. This is considerably more than before the war when, in the average of the period 1933-1938, Turkish exports to USA were less than \$16,000,000 a year. However, much of the increase in export values to USA is due to price increases. The volume of Turkish shipments is not much higher than before the war. Oriental tobacco, especially cigarette leaves, still head the Turkish export list to the United States, but, recently, America has bought increasing quantities of Turkish copper and chrome. This is in accordance with America's long-range policy to replenish her vanishing stocks of strategic raw materials.

American trade with Turkey is

threatened by the recent protectionist trend among Southern tobacco growers. The agricultural commissions of 13 Southern states have declared that they will oppose reduction of duties on imported tobacco from Turkey and other sources of blending leaves. If the Southern tobacco growers win their cause, hope of stimulating American-Turkish trade relations has to be abandoned.

Turkey, on the other hand, has been buying a great variety of American industrial products. American exports to Turkey have been worth \$35,000,000 last year. Turkish buyers were particularly interested in railway and electrical equipment, in industrial machinery, in passenger cars and trucks.

### American Credits

The United States Government has been anxious to encourage postwar trade with Turkey. It wants to help this Middle Eastern country through the present period of economic troubles. Turkey's favorable trade balance with the United States is partly due to the \$25,000,000 credit from the Export-Import Bank which she obtained recently. Turkey also negotiated credits up to \$15,000,000 for the purchase of American army surplus material, left behind by the American armed forces in the Middle East.

Despite these substantial credits, the Turks have voiced dissatisfaction with the development of their financial negotiations in Washington. When Turkish emissaries arrived in this country, shortly after the war, they did not come to apply for commercial credits but wanted to obtain a large reconstruction loan for their country. Amounts totaling \$500,000,000 were mentioned at this time. They wanted this loan to cushion the shock of the coming devaluation of the national currency.

They were turned down by the Treasury Department which did not want to engage the American taxpayer's money in this remote country. American authorities pointed out that Turkey would soon become a member of the Bretton Woods Monetary Agreement and that she could apply for substantial loans to the International Monetary Fund and the International Reconstruction Bank.

The Turks apparently heeded this advice. The Turkish National Assembly, on Feb. 18, 1947, passed a law, authorizing the Turkish Government to participate in the International Fund and in the World Bank. The Turkish share in each of these institutions will be \$43,000,000.

So far the International Bank has not even started operating and there is little hope that the Turks will obtain their loan in the near future.

The Turks continue to look toward the United States. They hope that the United States will come out eventually buttressing Turkey's economy and helping her to overcome the present crisis.

That Turkey is an all-important roadblock against Russian expansion toward the Middle East, can hardly be doubted. If Turkey falls, it may be difficult to defend the Anglo-American oil interests in this region.

### Help May Be Good Business

But helping Turkey in her present plight, may not be bad business after all. Turkey is fundamentally a healthy and potentially a rich country. It is a peasant country where 80% of the population live by agriculture and stock-raising. Agricultural planning directed by the Republican Government has completely revolutionized Turkish farming methods. The gain in farm output was spectacular. The wheat acreage was increased by 57%, but the yield went up by 125%. Maize and

rye acreage increased each by 120% but the yield by 180%. A rise of cotton production of 300% was planned and actually carried out. The rise in tobacco production was 40%. Before the war, Turkey's export was almost exclusively agricultural: 27% was tobacco, 26% fruits (sultanas, nuts, dried figs, oranges, olives), 9% grain and only 5% chrome, copper and other minerals. There are practically no manufactured goods among the Turkish exports.

### Progress in Industrialization

Turkey's industries were created to supply the home market, to make the country more independent from foreign supplies but not to compete with the products of other more industrialized countries on the world market. Turkey's industrialization, planned by Kemal Ataturk and his collaborators, has made important progress during the war. Most important is the mining industry which exploits the country's deposits of copper, chrome, emery, manganese. Coal has been discovered in the Ergeli region, 150 miles East of Istanbul, and more than 3,000,000 tons are now produced every year. New steel mills, textile factories, chemical plants and numerous other industrial installations have been built and are operating successfully. Turkish industry is now employing more than 300,000 workers.

The Turks built up their industry with virtually no foreign investments. Kemal Ataturk wanted to keep his country free from the encroachment of foreign capitalists which dominated the economy of the old Ottoman Empire. But this policy of financial self-sufficiency has now run into difficulties and is seriously delaying the development of Turkey's economic resources. A serious economic dilemma has arisen for the Turkish leaders. On one hand, they know that their country needs foreign capital; on the other hand, they want to continue the traditional policy of economic self-sufficiency and nationalism at home. They will have to decide for one or the other solution.

### Past Discouragement to Foreigners

If Turkey wants to encourage investments of foreign capital, she will have to create conditions which make it attractive for foreign business to participate in the development of Turkey's economy. Turkish taxation methods, for instance, are made to keep out foreign capitalists. During the war, foreign capitalists had to pay a heavy capital levy while Turkish businessmen were let off lightly.

A change in Turkey's economic and financial relations with the outside world may be forthcoming, due to her postwar difficulties. Some American business firms have already set up what can be properly called "business observations posts." Early in 1946, the "Middle East Company" announced that it had arranged to set up in Turkey a new company with an initial capital of LT 200,000 (\$110,000) which was incorporated under Turkish law with entirely Turkish officers. This American company is engaged in export and import business in this region. A few weeks ago, the "Twentieth Century Fund" declared that it would carry out an extensive survey of Turkish economic conditions in view of developing business relations with the United States.

Political interest and economic need point toward the development of closer relations between USA and Turkey in a near future. After Saudi Arabia, Turkey may become the second outpost of American interests in the Middle East.

## Outlook for Security Prices

(Continued from first page) earnings of many corporations were low because of strikes and serious reconversion difficulties. How can we explain this enigma: stock prices down in the face of biggest earnings in history and the unprecedented conditions of employment, national income, savings, and needs.

Brilliant earnings reports are coming out daily and many corporations are operating currently with excellent earnings that will be publicly reported later this year; and yet their stocks are selling at levels that appear ridiculously low and usually prevail only when conditions are very uncertain, such as during the war.

### A Complete Paradox

Reports are issued by company after company showing the largest peacetime unfilled orders in their history and in some instances their customers are told that no delivery can be made for many months, and occasionally not until two years hence. It is still difficult to buy a car, and refrigerators and washing machines are not freely available in the stores. In the face of these facts how is it possible that investors are unwilling to recognize the situation by bidding stocks up and how is it reasonable for many businessmen to take such a cautious viewpoint?

The solution to this Chinese puzzle lies in a correct answer to a simple question. Either the security market today is altogether wrong in its appraisal of the future and has been wrong for the last six months, or the present exceptional conditions of profits, dividends, employment, and business activity are temporary. This is a good question to ask because if the stock market has been completely astray in reflecting future conditions for as long as six months in the face of present earnings and dividends, it is an unusual performance indeed. Looking back over the record through past decades I think we will find that it is only rarely that stock prices for any length of time fail to adjust themselves to future events as they unfold. Therefore, anyone who questions seriously the rational behavior of the stock market over any long period of time is surely placing the burden of proof on himself and not on the stock market.

### Market's Apparent Message

On this basis, which of course is purely arbitrary, the answer is that the present unusually good earnings will not last long. The record shows that chances are perhaps between 5-to-1 and 10-to-1 that this answer is correct. In other words, "actions speak louder than words," and the action of the stock market since last summer spells with capital letters that the present period of high earnings will soon end.

Perhaps I should stop right here with this conclusion which is purely arbitrary on the basis of past historical experience. A conclusion based on this evidence, however, would be a slim reed upon which to rest the case. After all, there have been cases when stock prices over a period of months did go astray, even though they are rare. More important, however, such an analysis based on historical precedent really tells us very little. Assuming that we are faced with lower earnings over a period of time, it does not reveal either the seriousness or the extent or any coming decline in profits and dividends. Perhaps stock prices have already discounted any trouble that may lie ahead. To really answer the question properly requires a sound and basic analysis of economic and political changes that might occur in the next year or two. This is the only way in which it is possible to come to some judgment scale.

as to the outlook for security prices and paint a picture which will give a real answer.

### The Alternatives Ahead

Such an analysis should answer, at least in approximate terms: (1) whether stock prices have gone completely astray and therefore will go up to even higher levels than those of last year; (2) whether they have already discounted whatever trouble may lie ahead, and (3) whether stock prices may suffer further declines over coming months.

This, of course, is a big order and no one realizes more than I do that in trying to come to a rational conclusion we are dealing with many imponderables which are difficult to appraise and judge. This does not mean that we should despair of solving the problem. Anyone who takes any action in the investment field is consciously or unconsciously acting upon his own judgment as to the outlook. Action pre-supposes prior judgment.

The point of departure in analyzing the outlook today must necessarily be the fact that we are now enjoying one of the greatest booms in history. Once our economy was released from war controls last year everyone, consumers as well as industry, went on a spending spree. In a situation of that sort commodity prices and the cost of living naturally leaped upward at a rapid pace. The demand for goods was great and supplies still limited so that both the public and industry became convinced that a prolonged period of prosperity, lasting several years, was assured. Under such conditions of a hectic inflationary boom it is more or less inevitable that sooner or later over a period of time various economic maladjustments and distortions develop in our economy. The dynamic forces that lifted consumer buying last year stimulated production and resulted in a price rise which has carried commodity prices to a point almost as high as during the period following the First World War. The speed with which these developments occurred was so great that serious distortions have already developed in our economy—distortions which would not have developed if the recovery had been slower, more even and better balanced.

### Distortions Resulted From Quick Recovery

The principal maladjustment or distortion that has resulted is to be found in the field of consumers' goods and prices. Consumers increased their spending sharply for soft goods and for services. At the present time the rate of consumer spending, measured by total retail sales or other data reflecting consumption, is pretty close to the potential limit with present employment, production, use of accumulated savings and consumer credit. This, however, has not stopped prices at retail from rising further or stopped manufacturers from going ahead and increasing their output of consumers' goods.

In fact, just as consumers are approaching their potential maximum rate of spending the manufacturers of consumers' durable goods, such as automobiles, refrigerators, washing machines and appliances of all kinds are really getting into production in a big way. Reconversion delays in industry made it impossible for manufacturers of these "hard lines" to enter the market earlier when the great rise in consumption and retail sales took place. The market for consumers' goods is becoming much less favorable just as we are faced with a flood of consumers' durable goods. No wonder that department stores preponderantly dealing in soft goods are being forced to reduce prices and engage in sales on an unprecedented scale.

In short, we find as the first and perhaps most important element in our economy today a distortion or maladjustment between prices, incomes and production which is occurring under boom conditions never before equalled in our peacetime history. Yet manufacturers of consumers' goods generally are still going ahead producing in large volume; and these goods will enter the market on an increasing scale as 1947 rolls on. To my mind this spells increasing difficulties in the consumer goods fields which will express themselves later this year in price reductions both in soft goods and in hard goods and in a lower rate of production of consumer goods generally. The consumers' durable goods will, of course, be in a much stronger position than soft goods.

### Disequilibria in Consumers' Goods

The present situation in the consumer goods field is surely not being helped by the present strength in commodity prices and the continued high rate of production of consumers' goods. Inventories have accumulated for a number of months and while they are not high in relation to present sales, a further accumulation of inventories over a period of months will ultimately make these inventories burdensome in relation to the lower sales that are likely to prevail.

The only possibility of curing this economic distortion without a decline in prices and production is to increase consumers' incomes sharply or greatly to augment consumer purchases through a very sharp increase in consumer debt. Such an increase is only a temporary palliative and makes the situation worse in the end. Consumer income is unlikely to increase substantially during coming months. There will be a moderate increase in employment, but we are close to full employment now. Wage rates will show an increase, but it may be accompanied by further price increases. Capital expenditures by industry, so important in generating a high level of employment and incomes, are already running at a high rate and it does not seem probable that we can look to a great enough rise in such expenditures from this level to sustain the consumer goods market.

### Present Capital Expenditures Abnormal

The second important point to note in our economy today is the large rate of capital expenditures by industry for plant and equipment. While it does not seem large enough to support the present rate of output of consumers' goods at present prices over a period of time, it is still much above normal on an historical or any other basis. We all know that industry is engaged in a large program of plant modernization and expansion.

On the basis of present budgets of many corporations these capital expenditures might reach a peak this fall and decline in 1948. These budgets for capital expenditures (including expenditures for machinery and equipment of all kinds as well as industrial, commercial and utility construction) are influenced by general business conditions including those that prevail in consumer goods industries. The various divisions of our economy are closely related and developments in one sphere affect the prospects and developments in other spheres. If difficulties are encountered in the consumers' goods field because of distortions of the type that I have mentioned it is not difficult to visualize that many manufacturers may curtail or defer their expenditures for new plant and equipment, particularly when they find that costs have risen so sharply that it might be more advantageous to wait for more normal prices before carrying out their entire program.

### Large Export Balance Will Taper Off

The third point to reckon with in my analysis of the future deals with the prospects for our foreign trade. No doubt 1947 will be a year of a large export balance, but as lend-lease shipments are coming to an end and as countries abroad begin to build up their devastated areas and their agricultural production it will be more difficult to maintain our huge export balance. The political trend is toward a less generous attitude in making large loans and gifts abroad. Without large loans it will be difficult for us to maintain our exports at the present rate.

### Summary And Conclusion

To summarize these remarks, an analysis of present economic trends leads me to the conclusion that our economy today is dominated by elements that normally make for a boom of a major size. This analysis further suggests that our economy is in an unstable equilibrium and that over a period of months prices, production, employment and national income may decline. The very size of the boom suggests that the decline might be more severe than people now expect. Even if it should not be very severe, however, a decline can easily lead to a sharp curtailment of profits and dividends in many industries because of the high break-even points of many corporations and the difficulties that will be encountered in reducing costs.

This means, in effect, that the stock market is correctly discounting future events and that over a period of months it may decline further. The present boom in earnings and dividends was discounted a year ago in the stock market. At that time, when earnings were excellent in many industries and poor in others, the postwar boom was yet a number of months off

and there were no indications that we would encounter the economic maladjustments and distortions that have occurred since last summer.

Under those conditions of a year ago the stock market was surrounded by a psychological environment that was unusually favorable. Investors could use their imagination to the hilt in projecting postwar earnings and dividends according to their own wishes on the basis of the favorable economic outlook that could be painted with confidence. The earnings projections made at that time have been justified by present events in many cases. Unfortunately the fulfillment of the hopes is coming under economic conditions that are such as to make it difficult for stock prices to exploit the good news.

At the moment stocks are in a state of suspended animation fluctuating modestly within relatively narrow limits. Investors are holding their breath, more or less, to see what is going to happen. Stocks have shown a recovery from last fall's lows sufficient to satisfy both bulls and bears—the bulls because they expect prices to rise to new highs; the bears because the market has shown no more than the normal recovery that can be expected after the sharp decline of last fall. The stock market may continue to drift aimlessly for a while—perhaps for no more than another two or three months at most. The economic analysis that I have given suggests that once the period of drifting is over they are more likely to decline than to rise. Therefore, in my opinion, one should be careful about investments today. Patience may be well rewarded.

## Roy O. Myhr Is With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Roy O. Myhr has become associated with Merrill Lynch, Pierce, Fenner & Beane, Rand Tower. Mr. Myhr has been active as an individual dealer in Minneapolis.

## Frank E. Hailstone Opens

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Frank E. Hailstone has formed Frank E. Hailstone & Co. to engage in the securities business. Mr. Hailstone was formerly with Fox, Reusch & Co. and prior thereto with Katz & O'Brien.

## F. J. Hughes & Co.

WASHINGTON, D. C.—Frank J. Hughes has formed Frank J. Hughes & Co. with offices in the Wardman Park Hotel to engage in the securities business.

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THE DETROIT EDISON CO.

## Eccles Asks End of "Pegged" Short-Term Rate

(Continued from page 1251) now before the House. The following statement gives in essence my answers to those questions:

### Nature and Cause of Debt Monetization

In connection with financing the war, there was a tremendous increase in holdings of Government securities by commercial banks and by the Federal Reserve Banks. To a large extent this increase was necessary in order to facilitate financing the war and to provide the expanded money supply needed by the wartime economy. These holdings are mostly short-term securities but banks also hold some longer-term bonds.

To maintain a stable market for Government securities, the Federal Reserve System adopted a policy of maintaining the level of interest rates. The supported rates ranged from 2½% on long-term securities, purchased mostly by individuals and savings institutions, down to ½% on one-year certificates, generally owned by banks and other holders seeking liquidity. In addition, 90-day Treasury bills, mostly held by Federal Reserve Banks, were kept at ¾%.

Although some efforts were made to restrict bank purchases of securities, various aspects of war finance made it attractive for banks to increase their holdings. For example, because of the supported market and the differential in rates, banks increasingly adopted the practice of selling short-term low-rate securities to Federal Reserve Banks, thus creating additional reserve funds which were used to purchase longer-term securities in the market.

The reserves thus created could provide the basis for an expansion in commercial bank credit of between six and ten times the increase in reserves.

As long as the Reserve System stood ready to purchase short-term securities at the prevailing rates, the short-term rates could not rise. The banks could continue to sell short-term securities and buy longer ones, thus both expanding the amount of bank credit and reducing long-term interest rates. This practice—known as “playing the pattern of rates”—resulted in “monetization of the debt.”

### Effect of Debt-Retirement Program

During the past year, since the preparation of the Board's 1945 Annual Report, these tendencies have been suspended. The reason for this is that the Treasury, in retiring over \$20 billions of maturing debt out of war loan deposit accounts with commercial banks, accumulated during the Victory Loan Drive, has put some pressure on the reserve positions of banks. Retirement of securities held by Federal Reserve Banks with funds drawn from commercial banks tends to reduce member bank reserves. In order to maintain their reserve positions, banks have had to sell securities to the Federal Reserve. At the same time banks have been increasing their loans to businesses, to consumers, and on real estate, and they needed funds for this purpose. While banks had to sell securities to meet these needs and have had many of their short securities retired, they have not sold additional amounts in order to buy longer-term Government securities.

### Problem for Future

With the debt-retirement program approaching an end, there may be in the future a resumption of the tendency on the part of banks to sell short-term securities to the Federal Reserve in order to buy longer-term securities. This would mean a resumption of the practice of creating bank reserves through monetizing the debt and expanding credit by many times the amounts sold. It would also

mean a resumption of the decline in long-term interest rates. The initiative with regard to this practice rests with the banks, which hold large amounts of Treasury certificates and of Treasury notes and bonds maturing during the next few years. At the same time there are substantial amounts of bonds held by nonbank investors eligible for bank purchase and a number of restricted issues which will become eligible at varying times in the future. The Federal Reserve under present powers and policies could not prevent such a development.

It would be undesirable, particularly in a period of inflationary pressures, to have the long-term interest rates forced down through monetization of the debt. A decline in long-term interest rates resulting from an excess of savings over the demand for investment funds would be desirable, but a decline because of bank credit expansion would be undesirable. Such a development would be an inflationary influence; it would also reduce the return on savings and, therefore, impose a serious burden on individuals and institutions, such as insurance companies, schools, and benevolent agencies, that are dependent on interest returns for their incomes. Should long-term rates decline much lower, many of the functions performed by these institutions would have to be taken over by Government, thus leading in the direction of socialism.

### Solutions for the Problem

There are various ways of dealing with this problem; those generally suggested are as follows:

(1) The proposals made by the Board in its 1945 Annual Report would restrict, by one device or another, the ability of banks to shift from short-term securities to long-term securities and thus limit the extent to which banks could monetize the debt.

(2) The Reserve System could lift the present support level for the short-term interest rate and thus permit that rate to rise to a level at which banks would no longer be induced to sell short-term securities to the Reserve System in order to purchase longer-term securities in the market.

(3) It has been suggested that the decline in long-term rates might be checked by issuance of sufficient amounts of long-term securities.

(4) Monetization of the debt could be permitted to continue until long-term interest rates declined to a level at which it would no longer be attractive for banks to sell short and buy longer securities.

The Board's proposals would offer a solution striking at the basic cause of the problem, which is the great expansion in bank holdings of Government securities that can be readily converted into bank reserves at the will of the banks. A rise in short-term interest rates would remove another cause, namely the differential in interest rates, which encourages shifting short securities to the Reserve Banks and the buying of longer ones and creates premiums on long-term securities. Action to unpeg the short rate would be definitely preferable to the fourth solution of permitting debt monetization and the resulting decline in long-term rates to continue.

As for the third suggestion for checking the decline in long-term rates by issuing more long-term securities, it should be pointed out that if these securities are issues of the conventional market types, even though not eligible for purchase by banks, investors, in order to purchase the new securities, will sell existing holdings of eligible issues to banks. Banks in turn would sell short-term securities to the Reserve System and be able to purchase many times that amount of longer securities. As a result, monetization of the debt

would be encouraged rather than discouraged.

Marketable issues, moreover, with Federal Reserve support, can be readily liquidated at par and thus are in effect demand obligations with the high rate of return. Because of the difference between long and short-term rates, prices of long-term bonds rise for many years after their issuance and holders of these bonds can sell them at a premium, thus obtaining not only the 2½% coupon rate but also an additional amount which may give a return of as high as 3%. The use of this solution would raise the interest cost to the Treasury and would encourage debt monetization for years to come by putting out marketable issues which in the future could be sold to banks at a premium. This remedy deals with effects not with causes. A rise in short-term rates would be more effective and less expensive to the Treasury than this method.

Such long-term bonds as need to be issued to absorb the savings of the public should be in a non-marketable form, redeemable on demand prior to maturity at a discount so as to give a lower yield if not held until maturity. These bonds would be similar to the present Series G savings bonds with broader limits on amounts to be purchased and with substantially longer maturities. A reasonable rate could thus be paid for genuine long-term savings and thus protect individuals and institutions dependent on savings for their income. Holders would also be safeguarded against loss in case of necessary liquidation before maturity, but would not be guaranteed a high coupon rate, plus perhaps a premium, on short-term, highly liquid investments.

### Conclusion

In summary, my view is that a fundamental solution to the problem of debt monetization rests in some such measure as those proposed by the Board in its Annual Report. In the absence of legislation toward this end, it would be desirable to permit some rise in short-term interest rates if necessary to prevent long rates from declining further as a result of debt monetization by banks. This does not necessarily mean that a rise in short-term rates is imminent. In case there is no resumption of debt monetization and declining long-term rates, then an increase in short-term rates may not be needed at all.

Additional investment outlets for long-time savings should be provided in the form of a nonmarketable obligation of the Series G type, but further issues of long-term marketable securities should be avoided.

Regarding the pending bill (H.R. 2233), now before the House Committee to restore open market buying of government securities by the Reserve Banks, Mr. Eccles offered the following memorandum:

The proposed bill has two purposes: First, it would make permanent the existing temporary authority, under the Second War Powers Act, whereby Federal Reserve Banks may purchase up to \$5 billions of Government securities to meet temporary deficiencies in Treasury balances with the Reserve Banks. Second, it would remove a limit on amounts that may be expended on construction of Federal Reserve Bank branches.

### 1. Direct Purchase of Government Securities

The first proposal would restore to a limited degree an authority which the Federal Reserve System had from its inception in 1914 until the Banking Act of 1935. A provision was inserted in that Act requiring all purchases of Government securities by Federal Re-

serve Banks to be made in the open market, which means purchased chiefly from dealers in Government bonds. Those who inserted this provision were motivated by the mistaken theory that it would help to prevent deficit financing. According to the theory, Government borrowing should be subject to the “test of the market.” The so-called “test” could only be applied to marketable securities, and the test would be meaningless unless applied to them in an entirely unregulated market. There could be no such market except at the risk of chaotic conditions in the bond market and incalculable added costs to the Government in managing the public debt.

Congress vested in the Federal Reserve authority to create reserves for the banking system primarily by purchases of Government securities in the open market. Purchases as well as sales of Government securities are made by the Open Market Committee, established by Congress for that purpose. Policy governing these operations is determined on the basis of the broad needs of the economy at any given time. Through these operations the Government bond market has been kept relatively stable, notwithstanding the vast increase in the public debt as a result of the war, and the Treasury has had an assured market for new as well as refunding issues at interest rates satisfactory to the Government.

Nothing constructive would be accomplished by the proviso that the Reserve System must purchase Government securities exclusively in the open market. About all that such a ban means is that in making such purchases a commission has to be paid to Government bond dealers. The prohibition would not restrict the total amount of Government financing, nor would it affect the general level of interest rates, and that is the only way in which the “test of the market” could be manifested. Interest rates on Government securities have been and will continue to be determined by the Open Market Committee in consultation with the Treasury. Finally, it is unrealistic to presume, as this theory does, that if Congress votes for expenditures but does not vote for sufficient taxes to cover the expenditures, the money market should erect barriers to discourage the practice.

The purpose for which the direct purchase authority has always been used in the past and would be used in the future is simply one of meeting temporary needs of the Treasury which, if met in other ways, would entail either needless additional costs in managing the public debt or equally needless fluctuations in the securities and money markets for brief periods. What is involved in the proposed bill is not a question of monetary theory or policy, but simply a question of efficient, economical and businesslike management of the public debt.

The direct purchase authority is in effect merely an overdraft privilege with the Reserve Banks—a line of available credit for use if needed. Without it, the Treasury would feel obliged to carry much larger cash balances, which means that it would have to borrow more and thereby increase the amount and cost of the public debt. In other words, having the overdraft authority, even though there may be no need to use it, enables the Treasury to carry smaller balances than would otherwise be possible and thus reduces interest charges. For every billion dollars of Treasury balance that can be saved in this way, interest costs would be reduced by at least \$4 millions.

As the Committee knows, with a huge public debt, much of it in short maturities, frequent, periodic refunding operations are

necessary. For example, more than \$10 billions of Treasury bills, certificates and notes fall due in March, some \$8 billions in April, and so on through the year. The same will hold true for years to come—as long as we have a debt of this magnitude. To have an uncertain or periodically tightened money market in view of this situation would be as impracticable as it is needless.

I append to this statement a table which shows the number of occasions on which the direct purchase authority, granted temporarily in the Second War Powers Act of 1942, has since been used. The table shows that in 1942, 1943 and again in 1945 all of them falling at periods there were approximately 60 days, when the Treasury had to meet large payments, generally for interest or for redemption of maturing debt, a few days before large tax receipts were deposited. In effect, the Treasury had an overdraft with the Federal Reserve Banks for these few days when the Treasury balances at the Federal Reserve Banks were less than the amounts needed to meet withdrawals. Subsequently these deficiencies were overcome and the Treasury balances at the Reserve Banks were built up again as deposits were made to these accounts of tax payments received by Internal Revenue collectors.

The temporary overdrafts did not mean that the Treasury had no funds. It had large deposits in War Loan Accounts with commercial banks at all these periods. Sufficient funds could have been transferred from the War Loan Accounts to the Federal Reserve Banks to cover all expenditures. However, transfer of funds from the commercial banks to the Federal Reserve Banks for this purpose would have left the Treasury, after the tax receipts had come in, with a much larger balance at the Reserve Banks than it needed and thus would have unduly reduced bank reserves for an extended period. If commercial banks are faced at tax periods not only with deposit withdrawals not only with deposit withdrawals but also with drains on their War Loan Accounts, they would have to follow one of four courses: If they had sufficient excess reserves with the Federal Reserve Banks they could reduce their reserve balances to the extent necessary. If they did not have excess reserves—this normally is the case—they would have to sell sufficient securities to obtain the funds, or they could withdraw correspondent balances, or they could borrow from the Reserve Banks. All of these alternatives would tend to tighten money market conditions at a time when taxpayers would be drawing on their bank accounts to make their tax payments. In other words, if the Treasury could not borrow temporarily from the Federal Reserve Banks by what is in effect an overdraft at these tax payment periods, and in this way avoid withdrawals from its War Loan Accounts to pay off maturing obligations, money conditions would unduly tighten and tend to destabilize the money market and the Government securities market.

This can be avoided by the temporary overdraft until the tax payments again build up Treasury accounts at the Reserve Banks and provide the Treasury with funds to retire the overdraft. The operation simply stabilizes the market. That is all that happens. The amounts of special certificates to cover overdrafts shown in the table are relatively small compared with the size of the public debt and the recurring maturities. For instance, on June 16, 1942 and for four days thereafter, the Treasury had an overdraft varying from \$58 to \$94 millions. The largest overdrafts occurred in the middle of March of 1943, when the highest amount borrowed to

cover an overdraft was \$1,300,000 on March 15. The borrowing was entirely paid off by the end of the month.

As I have indicated, the authority existed for more than 20 years prior to 1935. It is more needed than ever today because of the size of the debt and the refinancing operations. The fact that tax collections are also very large, currently about \$40 billions a year, means that quarterly withdrawals from the banking system are going to continue to be heavy, so that it will be desirable to have the overdraft authority to help in stabilizing the money market at tax dates.

One suggestion which has been put forth is that the authority should not be a permanent part of the Government financing machinery. However, the need for it is no more temporary than the large public debt and the fiscal operations involved in it. It was used effectively in the 1920's and will continue to be needed as long as we have a huge public debt. Congress could always repeal the power if the need for it ceased to exist or if Congress felt it was not operating properly. It is better not to place an arbitrary limit of, say, two or three years on the authority than to have to go to the trouble of renewing it periodically.

## 2. Federal Reserve Bank Branches

The second point of the bill is not, so far as I know, controversial. The limit of \$250,000 on the cost of a Federal Reserve Bank branch building was placed in the Federal Reserve Act in 1922 at a time when the System was subjected to a great deal of criticism. Construction costs at that time were such that it was possible to construct buildings needed to house some of the smaller branches at a cost not exceeding \$250,000 for the "building proper." In the case of a number of the branches, however, that amount was not adequate, and Congress authorized larger expenditures in accordance with recommendations of the Board. In the light of the greatly increased operations of the Federal Reserve Banks and their 24 branches, and in view of the increased costs of construction, the present limitation is entirely unrealistic. Consequently, most of the branches have had to rent outside space, which in many cases is unsatisfactory and is uneconomical because of the difficulty of carrying on related operations at different locations. In some cases the working conditions are very unsatisfactory.

In accordance with the established policy of the Board, improvements and additions to Federal Reserve Bank and branch buildings have been deferred because of war and postwar conditions resulting from scarcity of materials and labor. It is now necessary, however, in the interest of the efficient conduct of branch operations, which have been greatly expanded to take care of the increased volume of work, partly incident to handling public debt transactions, that a number of branch bank buildings be enlarged and in some cases that new buildings, particularly new or enlarged vault facilities, be constructed. The Federal Reserve Banks would use their own funds for such purposes. No appropriations of Government funds would be needed. It is hardly conceivable that removal of the limitation on the cost of branch buildings would lead to any waste of funds, since all new construction has to be approved by the Board of Governors before it is undertaken.

The construction of branch buildings has to be approved in the first instance by the directors of the branches, and then by the of the parent Federal Reserve Bank. After the boards of directors of both the branch and the parent Bank have approved the construction of a building, the matter then

comes before the Board of Governors for approval. The Board considers the proposal in the light of the needs of the branch, the type of building to be constructed, its cost, availability of materials, and whether the construction at the time would be in keeping with governmental policies with respect to building construction. All such expenditures are reported to Congress by the Board of Governors, and if any question arose regarding the Board's policy in this respect it could be promptly reviewed by Congress.

## Holdings of Special Short-Term Treasury Certificates by the Federal Reserve Banks, 1942-45

(In millions of dollars)

Date	Amount
June 16, 1942	\$58
June 19, 1942	70
June 20, 1942	47
June 22, 1942	34
June 23, 1942	94
Sept. 15, 1942	342
Sept. 16, 1942	189
Sept. 17, 1942	286
Sept. 18, 1942	76
Sept. 19, 1942	53
Nov. 27, 1942	139
Nov. 28, 1942	329
Nov. 30, 1942	422
Dec. 1, 1942	98
Dec. 10, 1942	16
Dec. 15, 1942	145
Jan. 29, 1943	115
Jan. 30, 1943	202
Mar. 2, 1943	3
Mar. 4, 1943	174
Mar. 5, 1943	354
Mar. 6, 1943	543
Mar. 8, 1943	591
Mar. 9, 1943	648
Mar. 10, 1943	632
Mar. 11, 1943	790
Mar. 13, 1943	1,043
Mar. 15, 1943	1,302
Mar. 16, 1943	1,250
Mar. 17, 1943	981
Mar. 18, 1943	836
Mar. 19, 1943	778
Mar. 20, 1943	768
Mar. 22, 1943	603
Mar. 23, 1943	700
Mar. 24, 1943	512
Mar. 25, 1943	432
Mar. 26, 1943	384
Mar. 27, 1943	304
Mar. 29, 1943	104
Mar. 30, 1943	40
June 15, 1943	805
June 16, 1943	659
June 17, 1943	350
June 18, 1943	256
June 19, 1943	212
Sept. 8, 1943	11
Sept. 9, 1943	126
Sept. 10, 1943	243
Sept. 11, 1943	246
Sept. 13, 1943	214
Sept. 14, 1943	179
Sept. 15, 1943	424
Sept. 16, 1943	258
Mar. 15, 1945	4
Dec. 4, 1945	107
Dec. 5, 1945	318
Dec. 6, 1945	374
Dec. 7, 1945	484
Dec. 8, 1945	484
Dec. 10, 1945	202

## Senate to Hold Night Sessions

Chairman Robert A. Taft (R.-Ohio) of the Senate's Republican Policy Committee informed that legislative body on Feb. 24 that, commencing Mar. 10, two night sessions of the Senate will be held each week, running from about 7 to 10 p.m. Senator Taft, according to Washington Associated Press advices Feb. 24, pointed out that the move was necessary to clear up the backlog of legislation awaiting action. The Senate will

continue to meet only three days a week, Monday, Wednesday and Friday, in accordance with the Congressional reorganization program, leaving Tuesday, Thursday and part of Saturday for committee work. The added evening sessions are planned for Monday and Wednesday.

## Inflation—Let's Look at the Record

(Continued from page 1251)  
place those paid off by the Treasury. That plus other bank loans and bond purchases during the year, resulted in the \$14 billions increase in the money supply in the hands of the people.

Recently President Sproul of the New York Reserve Bank, referring to the great expansion of the money supply in this country due to the large holdings by our banks of government bonds said that "the commercial banks in large part have the initiative in determining whether or not Reserve Bank credit is to be created or extinguished." In the same speech Mr. Sproul also said, referring to the Federal Reserve control of credit, "we are not the masters in our own house."

It would seem that what Mr. Sproul meant was that the Federal Reserve Board and the Federal Reserve Banks had adopted a policy during the war to which they still adhere with the result that the commercial banks rather than the Federal Reserve Banks could and do determine the extent to which our money supply is increased or decreased. This is because the Federal Reserve during the war announced that it would support the government bond market and would buy from the banks government bonds offered by the banks.

### Increasing Bond Purchases by Banks

By this means the commercial banks obtain excess reserves out of which to buy additional government bonds or otherwise expand their credit. This explains why the banks, particularly in Chicago and New York, which for many months have had no reserves — i.e., excess over the reserves which they are required by law to carry against their deposit liability — have nevertheless bought government bonds on the market to replace those paid off by the Treasury or have acquired loans or other bonds.

The banks when they were short of reserves to make loans or buy additional bonds have dumped their short-term governments into the Federal Banks and obtained excess reserves for additional purchases or loans. In the process the bank, by its new purchases, adds to the money supply by the amount thereof.

Critically examining the foregoing statements by Mr. Eccles and Mr. Sproul, it seems clear that in one way or another the banks have increased our money supply by \$14 billions through their purchases and loans, notwithstanding the reduction of government debt by more than \$20 billions and the apparent attempts of the Federal Reserve authorities to bring about similar reduction in our money supply. These attempts of the Federal Reserve authorities always fell short of the obviously desirable change in their own policy which permits the commercial banks to get for themselves excess reserves from the Federal Reserve Banks merely for the asking.

Mr. Sproul's statements clearly indicate that the Federal Reserve Banks realize that they are obliged to give the banks what they ask for in excess reserves even though the result is to maintain or increase the money supply, and this because the Federal Reserve Board chooses not to use its existing power to change its own policy which is responsible for the situation.

And now comes Mr. Randolph Burgess, Chairman of the Committee on Public Debt Policy set up by the Falk Foundation, who states that the large money supply is "the major economic problem," but adds that "its solution is largely a matter of Government and not bank management."

Some day someone familiar with these mysterious matters is

going to make plain the fact that if the banks had not continued to purchase government bonds on the market after the Treasury had excluded them from subscribing to new issues, our money supply today, instead of being \$170 billions, would be \$120 billions. As Mr. Sproul has put it, the banks have taken the initiative not only in buying government bonds on the market but also in going to the Federal Reserve to obtain funds when they had no other funds to make such purchases. "Bank management" must take some responsibility for this very large contribution to the increase in our money supply.

### Use Surplus to Reduce Bank Bond Holdings

The remedy for all this from an economic and financial point of view is simple, but from a political point of view, is difficult. We

should promptly balance our budget, produce an excess of income over expenditure and use the surplus to take the government bonds out of the banks. We should aim at a surplus of \$5 billions annually for this purpose. At the same time the Treasury should sell long-term government bonds to non-bank investors and use the proceeds for further reduction in government bonds held by the banks. We should aim annually at another \$5 billions of refinancing of our existing short-term government debt.

Then the Federal Reserve authorities should have the stamina to change their existing policies so that the banks will not be able to thwart these efforts to reduce the money supply to normal by expanding bank deposits for the sole purpose of buying bonds of any type on the market to add to the banks' portfolio and earnings.

## Black Market Trend in Gold, Dollars

(Continued from first page)

Switzerland while depreciating in the former belligerent countries lies in the fact that the Swiss franc has depreciated in the latter countries to an even larger degree than the dollar and pound notes. For the Swiss franc was, and still is, the hardest of all hard currencies. Having stood the highest, it has lost more ground than other hard or comparatively hard currencies. The same is true concerning gold coins, the premium on which suffered a particularly heavy reverse.

### Causes of Downward Trend

The explanation of the reversal of the black market trend of hard currencies to harden further lies in the combined effect of a number of independent factors. It is difficult to assess their relative importance, but the most obvious among them has been the unexpectedly pronounced success of M. Blum's price-cutting experiment towards the end of last year. The satisfactory response to the French Government's measures has made the black market realize that, after all, the depreciation of weak currencies can be reversed. After years of almost continuous rise in black market prices of every description, there was a sharp fall. This fact induced many holders of gold and foreign notes to take their profit.

Curiously enough, the reaction did not confine itself to France. It produced a Europe-wide effect, in spite of the absence of arbitrage in the proper sense of the term. Hitherto the black markets in various continental countries appeared to be largely independent of each other. There were very wide discrepancies between the quotations of various black market rates. This was because of the restrictions on the import and export of gold and notes in every country. These restrictions are, of course, evaded by many people. Nevertheless, owing to the difficulty and risk attached to their evasion, abnormal discrepancies can exist for a very long time.

On the present occasion, however, the black market quotations moved in sympathy in various countries to a remarkable degree. Even though there were considerable differences between the extent of the depreciation of the various currencies in the different markets, the international character of the trend was unmistakable. There were, admittedly, several factors which operated in more than one country. Several Central Banks adopted the policy of sell-

### Psychological Factors

The main reason for the sympathetic movements of black market prices of gold and foreign notes was not, however, the identity of factors at work, nor the existence of a certain amount of arbitrage. It was the operation of the psychological factor that is all-important in markets as sensitive as black markets invariably are. Waves of optimism or pessimism regarding the prospects of black market quotations are admittedly often purely local. In many instances, however, they are decidedly international. The feeling that the discounting of future depreciation of the local currencies has been overdone did not remain confined to particular countries. Even though economic and political prospects which ultimately determine the value of their currencies differ widely from country to country, the sentimental factor is often largely identical in many countries. Waves of optimism or pessimism about the prospects of political rapprochement between the rival powers, or about the prospects of economic reconstruction are apt to sweep across entire continents, and at times even the entire civilized world. Even though it would be difficult to define the wave or waves of optimism which have been responsible for the setback in gold and hard currencies, there can be little doubt that the lessening of the tension with Soviet Russia and the evidence of an all-round increase of production in Europe have contributed towards the change in the trend.

It is beyond doubt gratifying from the point of view of the soft currency countries that the abnormal discrepancies between official and unofficial rates should thus contract. But even the hard currency countries should feel relieved if the unofficial premium on their notes, complimentary as it is from a point of view of prestige, should disappear. For, after all, return to less abnormal currency conditions would be beneficial to all.

## The Fund Opens Shop

(Continued from page 1249)  
forth be more dubious of requests for aid.

Fund officials insist they will not knowingly agree to the Fund's supplying long-term help in the guise of short-term loans or foreign exchange. That, at least, is the theory. It was printed in big letters on the outside of the Bretton Woods "package" to which the Congress put its okay.

There seems to be no disposition on the part of those most influential in shaping Fund decisions to belie that promise. If anything, there is anxious alertness lest the Fund be unwittingly brought to premature grief by mistaking for a passing economic discomfort what is really a member country's chronic balance-of-payments disease. The Fund is intended to handle problems related to occasional crop failures, or seasonal shortages of foreign exchange. But how can it segregate these temporary situations from long-term trends in a country which has embarked on a five or ten-year program of industrialization, for example? Such a country during the whole of such period, while it is importing foreign capital goods, is likely to be short of foreign exchange. It is the sum total of its foreign-exchange resources with which a country works. Pour a cup of water into a pot of water and they are both one. But if you pour a cup of water into a hot and always empty pot on the stove, you cannot expect that later on another cup of evaporated water will of itself again condense in the hot kettle.

So with the Fund's loans to members engaged in large long-term projects, there is great risk that "short-term" may turn out to be "long-term." Although Fund members do not all view the Fund from the creditor's viewpoint, there is reason to suppose that the most influential factors in Fund policy, including Mr. Camille Gutt and the American executive director, want the Fund to have a long and useful life.

### Several Countries Without Par Value

It will be recalled that several countries have not yet communicated to the Fund a par value. To such countries, therefore, the Fund is not yet obliged to extend credit. For the Fund to have to give US dollars for Chinese yuan, today, might turn out to be pouring money down a gopher hole, notwithstanding the obligation of members to the Fund. In the cases of such countries as China, Greece, Poland and Yugoslavia—to name the more conspicuous ones—the Fund is for the present spared this risk for the reason mentioned.

### Fund Awaiting Bank

The fact that the World Bank has been so slow in getting started certainly is a matter of real concern to the Fund. It means that the outside world's supply of dollars is smaller than it would have been otherwise, and that the Fund will have a harder time distinguishing between members' long-term and short-term credit needs. At the same time, for certain members like France which have declared par values and which might want the Fund's aid in maintaining them, but which have also applied for World Bank loans, the delay in the World Bank's getting started means a delay in those members asking the Fund for assistance. The Fund will want them to wait until it sees what the Bank is doing for them.

The fear that the pound sterling may not, as called for in the American loan agreement, be made convertible next July is regrettable from the Fund's standpoint. The Bretton Woods agreement of course envisaged a transition period of at least five years during

which Fund members having controls on current exchange transactions would try to get rid of them. In adding, through the British loan, \$3 1/4 billions to the world's stock of dollar exchange, the United States sought to shorten the transition period for the world's most influential non-American currency. If that hope goes by the board, the period of exchange controls certainly will be prolonged.

India has advised the Fund that it is availing itself of the transition privileges of the Fund articles of agreement. So are nearly all the other member countries. Only the USA and a few nearby Latin American countries have freely-convertible currencies as the Fund opens its doors.

Apart from the reasons mentioned above for not expecting a rush of foreign-exchange business at the Fund in its early months is the fact that the Fund has quietly but seriously urged likely borrower members not to press their rights under the articles of agreement at this stage, lest the Fund be prematurely threatened with depletion. This policy has the backing of the NAC, which does not want to see the Bretton Woods program avoidably weakened; and it has the support of top officials in the Fund, whose reputations and whose jobs are linked with the Fund's fate.

### Possible Repetition of U.S.-British Loan Experience

Were all members of the Fund to exercise freely the rights to automatic Fund credits, within the prescribed limits, one might see develop on an international scale what has happened to date in the drawing down of the American loan to the UK for such consumer-goods purchases as tobacco and films. That is to say, the Fund would soon commence to pay the price for decision last year to accept as the initial parities those the members themselves suggested. While this policy had the support in the Fund of the American executive director, Harry White, who in the NAC as well argued most persuasively for that decision, the result has been that currencies like the French franc, the Dutch guilder, and—some think—the Belgian franc, are today to various extents overvalued, posing the Fund with the possibility of having to support them at untenable levels. Sooner or later, it is being said, the French franc must again be revalued. So some observers criticize the Fund for having deferred last autumn to French political considerations rather than to economics, giving its tacit support to an unreality. In effect, they describe the Fund as lacking in moral fibre.

The Fund, of course, has its own defense for its parities policy. It admits that the present parities are not all tenable, but says it had no way of knowing what would be a tenable parity for a given currency (like the French franc). This, however, is small comfort to the World Bank, now considering a large loan to France. To the Bank, currency stability is a prime desideratum and instability an unwelcome added risk. Were the Fund to request the Bank to set, as one of its conditions for a loan to France, the requirement that the franc be devalued now, both the Bank and the Fund would be on solid ground in their operations with France.

A corollary to a firm Fund policy at the outset would be constant alertness to any developing balance of payments weaknesses of member countries and insistence, without regard to political considerations, that the members concerned take the steps to rectify those disequilibria without asking the Fund instead to bear the burden. All this, it will be re-

called, was during the evolution of the Bretton Woods program described as a fundamental tenet of the Fund. The executive directors are now being watched to see how literally that principle is implemented.

Were it not for the \$4.4 billions of aid the United States extended to Britain last year, the Fund would have faced more difficult decisions than it did when it announced the initial par values of member currencies in December. Should Britain later require additional substantial support of its balance of payments, and should this for any reason not be forthcoming from the Congress, the Fund will face a bigger arithmetic problem than the valuation of the franc.

### Not in Prime Working Order

Formal "commencement of operations," it should be noted, does not mean that the Fund is really in prime working order. True, it has organized a staff of 266 persons, from economists to messengers. Its staff, including 45 professional researchers, has drawn heavily on the US, and on other countries from England to Iceland and El Salvador. But the Fund is not equipped with all the information it needs. It is in this respect not nearly as well equipped as any of several US Government departments and agencies. The Fund hopes ultimately to be able to tell some of its members more about their economic state of health than the member itself can tell from the data in its possession. The Fund will be the world's monetary clinic. But at present data in very many cases is quite inadequate. The fact that the American executive director often is better supplied with facts about the Fund's members than the Fund itself is, added to the large vote which he wields in the Fund, makes him probably the most influential force in the Fund's inner sanctum.

In view of the impression abroad that, in the World Bank under Eugene Meyer's presidency, for one reason or another, the president and the U. S. executive director, Collado, did not reach a meeting of minds and that therefore the power of the Bank's president had to be strengthened, it should be stated that no evidence of any similar discord between the Fund's managing director, Mr. Gutt, and the U. S. executive director, Harry White, has been disclosed. There seems to be an understanding that White not appear in the public view. All public relations of the Fund are handled by Gutt. This does not mean that White has any less influence in the Fund. A somewhat controversial figure in the evolution of the BW program until last May, White now reportedly gets along well with Mr. Gutt and his colleagues, and even with Mr. Morgenthau's successor at the Treasury, a matter which has occasioned some surprise in NAC circles.

### Closer Contacts

Fund officials realize the need for closer contacts with member governments and central banks. There already has been a good deal of traveling by executive directors—and Mr. Gutt plans another trip to Europe in March—but there will be much more as time passes. Staff members, also, will accompany the directors, to benefit by face-to-face discussions with members' officials. Reports from abroad indicate that some of the latter are giving much thought to the extent to which they can count on their Fund rights.

In accordance with the articles of agreement of the Fund, depositories have been established at New York (Federal Reserve Bank), London, Shanghai, Paris

and Bombay. Members may use whichever they prefer, under certain conditions. The Fund hopes to keep gold movements to a minimum, to save expense.

Soon after March 1 the Fund is expected to announce the list of members which have exercised their transition-period rights.

An early problem facing the Fund is to help members get rid of multiple currencies such as exist in various Latin American countries, Iran, etc.

### Better Information Needed

Until the Fund has better information at its disposal, it will be handicapped in determining the best policies. This is one reason the Fund could not question the proposed parities last year. Because a member did not last year elect to postpone declaration of its parity it does not follow that its currency is in a sound position. The Fund needs all the information it can get.

One of the Fund's purposes is to help abate bilateralism in world trade. As the Fund opens its doors, it looks upon a world in which trade bilateralism is more pronounced than it was before the war, in which the efforts to set up the ITO at Geneva are clouded by high-tariff advocates here, and in which there has been a most disturbing deterioration of international relations since Secretary Morgenthau raised the ante by \$300,000,000 and the mysterious Russians signed the Bretton Woods agreements in 1944.

As it begins its task the Fund has this country's best wishes—and our \$2,750,000,000. If the Fund accomplishes everything that the women's clubs thought it would accomplish when they brought pressure on their Congressmen and Senators to vote for it, this new international body will do wonders.

## Britain's Use of U. S. Loan

(Continued from page 1250)

year are unduly pessimistic, it is now widely expected that the last dollar will have been spent long before the end of 1948 even if no part of the proceeds will be ceded to other countries in connection with agreements on the funding of Sterling balances. British opinion is gravely preoccupied by the situation that will then arise. Owing to the setback caused by the fuel shortage, few people would dare to believe that Britain's reconstruction period would be completed by next year, or that the trade balance in relation to hard currency countries would achieve anything like equilibrium by then.

It is feared that, once the proceeds of the loan are exhausted, there would inevitably follow a sharp decline in the standard of living, owing to the necessity for curtailing even essential imports. The possibility of further cuts in food rations, and of unemployment through shortage of imported raw materials is beginning to be envisaged.

Notwithstanding this, dollars continue to be spent on what can hardly be regarded as primary necessities. Recently published figures disclosed the fact that Britain spent much more on tobacco than on food in the United States last year, and that American films have also absorbed a remarkably large proportion of the proceeds of the loan. Much of the oil imported from the United States has been for the use of private motorists whose rations seem to enable them to block the streets of London to the same extent as before the war when petrol was not rationed.

The Government has been subject for some criticism lately for having failed to reserve its inadequate dollar resources for the purchase of essential foods, raw materials and industrial equipment. It is widely felt in Opposition circles that the Government's policy in the allocation of dollars aims at achieving popularity by satisfying the increased craving for tobacco and by meeting the strong demand for American films.

The habit of smoking has increased considerably since the war, and a Government which would not cater to it would incur much unpopularity. It is true, the inadequacy of food rations is also highly unpopular, but the Government is in a position to blame the world-wide food shortage for it, while the volume of tobacco imports is evidently a matter of dollars. So long as there are dollars available, there is strong temptation for the Government to use them for buying popularity by satisfying the requirements of millions of smokers.

As for film imports, their large size is sought to be justified by

the argument that any restrictions would lead to retaliation in the form of restricting the import of British films into the United States. Since during the last year or so British films have undoubtedly been gaining grounds in the United States, the Government is reluctant to take any steps that would interfere with their prospects.

It is difficult to see in such circumstances how the Government will check the expenditure of dollars in the near future. Nothing short of a nearly complete exhaustion of all dollar resources is likely to induce the Government to face the unpopularity of cutting down the import of tobacco and films.

Possibly under the influence of the present fuel crisis the outlook of the British trade balance this year and next is viewed with undue pessimism. Even allowing for this, there can be little doubt that before very long Britain will be forced by the depletion of its dollar resources to balance its trade with hard currency countries by every possible means. The right to do so with the aid of quantitative discrimination is expected to be defended to the utmost at the Geneva International Trade Conference in April.

## San Fran. Clearing House Elects

The San Francisco Clearing House Association elected the following Officers at the Annual Meeting held on Feb. 11: President, James K. Lochead; Vice-President, Carl F. Wente; Senior Vice-President, Bank of America N. T. & S. A.; Secretary, Earle H. Lemasters; Vice-President, Pacific National Bank of San Francisco.

The following were elected as members of the Clearing House Committee: James K. Lochead (Ex-officio); Carl F. Wente (Ex-officio); A. A. Calkins, President, The Anglo California National Bank of S. F.; I. W. Hellman, President, Wells Fargo Bank & Union Trust Co.; J. J. Hunter, President, The Bank of California, N. A.; J. F. Sullivan, Jr., Vice-President, Crocker First National Bank of S. F.

The Manager of the San Francisco Clearing House is Russell W. Schumacher and the Assistant Manager is Howard H. Huxtable.

### Mackenzie Co. Formed

SALT LAKE CITY, UTAH—Mackenzie Co., 19 West South Temple Street, has been formed by William A. Mackenzie, formerly a partner in Theobald & Mackenzie.

## Outworn Diplomacy Must Be Abandoned!

(Continued from page 1247)  
ternational affairs. In fact, I am going to go further and invite you and the men and women around the globe to join in a sort of popular international meddling society. The technique of disseminating fact and opinion world-wide with the speed of light is one art which has kept pace with the technology of bombs. Truthfully wielded, the pen is still mightier than the sword.

The common man who blazes like a comet across no pages in history has always thought straighter on war than the men who wear the epaulettes and strut through council halls. Man has realized in all humility that it is his ingrained selfishness, as normal as his instinct of self-preservation, which has made law necessary if he is to live with his neighbor.

### Force Only Authority

Beyond national boundaries, however, there has been no progress. The only authority remains force, the only jurisdiction—diplomacy with its trained and paid personnel to make things seem different from what they are. So skillful have these professionals become that any act can be justified and made to appear benevolent, each to his own people.

We were no less impelled to cry that we had been attacked throughout the centuries of our expansion—from Jamestown to Havana—than was brutal Hitler.

If the area of lawlessness beyond national boundaries is no longer endurable, if old patterns are to go, we must stop kidding ourselves.

An atomic treaty accomplishes nothing with armies facing each other in Europe, for the moment they clash the treaty expires.

If there is no worthwhile defense any more, as our General Staff has informed us, then there can be no worthwhile armament. To store up atomic pills to checkmate a dictator, who may die tonight, is like preparing to dose the "flu" with arsenic or to destroy a city to apprehend a murderer.

How can we in good conscience call for the outlawing of the atomic weapon as a crime against humanity when in the name only of expediency we used it on residential cities without warning?

What an opportunity for future peace we threw away by not setting the first example in restraint! What a towering obstacle we put in the way of atomic control when we released its cataclysmic force into a moral vacuum.

### Armies in Strategic Vacuum

We have vast armies poised in a strategic vacuum; criminals, by our own law, if they advance, and suckers—for ever having fought to get there—if they withdraw. Our rivals can sardonically try our patience, on the chance that the burden and heart-break of continued occupation will in the end enable them to communize us peacefully. Checkmated in that, they can choose the time, the place and the weapons—the odds favoring the aggressor. Our only satisfaction will be that the losers will be hanged.

Let us consider the possibilities that immediately face us!

(1) Traditional advantage-seeking diplomacy.

(2) World domination by either America or Russia.

(3) The establishment of enforceable world law.

The first offers a threat to, not a hope for, peace. It is, unhappily, the course America is pursuing; the one at which Britain has failed, dogged and resourceful though she is, buttressed as she has been by the most accomplished diplomats the world has ever seen. Under it the United Nations seems to have become no more effective

than a salon, and thus threatens to become the epitaph of civilization.

Since man first flattered himself that he was civilized, each new war has created its new council and each new council its new war. Their chief purpose seems to have been to reduce the travel of the diplomats and facilitate their new alignments. Any real hope that UN would differ from its monotonous series of predecessors faded when we started making favored loans and exerting furtive pressures.

The more we bribe and coerce, the more Russia will scheme and threaten. In the world of diplomacy, war is perpetual, armed conflict the diplomat's vacation period. Here in this latest international no-man's land the four freedoms are to bribe, to coerce, to veto and to withdraw.

### No Hope in UN

No, I can see no hope in UN with its members concealing or announcing separate deals. Like the Atlantic Charter and San Francisco, these festivals are of sounding brass, a tinkling cymbal, to soothe the ears and cover up the next move—be it of tariff, embargo, loan or task force.

As for the second possibility—world domination by either America or Russia—this means war. If this is to be our solution, our chance to cash in on a huge investment in men and equipment is rapidly slipping through our fingers. I do not recommend it, for we cannot afford a third war to end war.

Our fathers intended that we should lead Europe out of its wilderness, if at all, by friendly influence and example, not by force; that we, not Sweden or Switzerland, should always be the green isle in a sea of trouble. In those two states, one democratic, the other socialistic, shut in and poor in resources, the standard of living has already surpassed ours; lands of milk and honey and cream and beef. They have proven that if one attends to the milking, and does not go out with diplomats, a fairy prince does come along.

A moral regeneration—American led—sounds grandiloquent. But is that not the very role America has always professed, seldom adhered to? Why shouldn't we insist upon transforming UN from a labyrinth of out-dated diplomacy into a court having the power to make decisions and enforce them? If Russia should refuse to go along with a court strengthened along these lines, then there is a reason and it behooves us to find out that reason and remove it.

### Proposes UN Amendments

I can think of no better way of doing this than to propose specific amendments to the UN Charter:

(1) To accomplish general and universal disarmament;

(2) To create a court of world inspection and enforcement to prevent rearmament—even by UN—beyond the minimum needs of inspection and enforcement; and

(3) To deprive member states of the power or right to secede so long as UN jurisdiction, inspection, and enforcement, are clearly limited to the needs of national security.

If we make these proposals in an atmosphere reminiscent of Fulton, Missouri, then Russia would rightly regard the amendments as the legalizing procedure for a coalition against her. If on the other hand, we made it abundantly clear that the amendments were being made in good faith and that we were sincerely anxious to lay a foundation for world security in which all nations would share, then if Russia withdrew the rest of the world could be governed accordingly.

It is important to know where we stand immediately.

American leadership in strengthening UN is more than an opportunity; it is an obligation—born out of our two invasions of Europe.

Assumption of the hot seat of the British Empire, reliance upon atomic supremacy, balance of power, subsidies and intimidation, besides being costly, hazards one day being weakest, or being regarded so.

### Integrity and Common Sense

This brings us back to the third and sole rational possibility; simply, the application of integrity and common sense. Law between nations can be achieved just as it has within nations. We need give up no more sovereignty than I do when I stop my car for someone to cross the road.

The popular place to start is disarmament but the vigilantes did not lay down their guns until law was first established. Law within nations evolved slowly. It began with the simplest guarantees of property and persons. When it over-reached itself, the tribe rebelled. It follows, then, that I am not advocating international law which might infringe upon property rights either as nations or individuals. When we yield to the law, domestically, we not only reserve but strengthen, our property rights, under the Constitution.

That great principle of jurisprudence that a man shall be judged only by his peers, can be applied in principle to international problems of security. It has served throughout the centuries to give the accused, or threatened, a security if he is innocent, and a just penalty if he is guilty, which has proven unimpeachable. The detail of the method of selection of such a jury is only detail if each nation approaches it seeking justice, not advantage.

If world opinion will make it crystal clear that next time the winners as well as the losers will be judged by such a pre-established neutral court, non-packable and uncoercible, a further long step toward world security will have been taken. For even if some power-mad aggressor should resort to war to obtain world conquest, he would know that the common man, even if only one were left, would carry out the court's verdict.

There is nothing in anything which I have said which advocates abandoning Britain, withdrawing prematurely from Europe, or appeasing Russia; nothing difficult or impossible; nothing remotely approaching the agonies of war. All I am trying to say is STOP KIDDING OURSELVES. Peace, like love, is not a unilateral arrangement. Neither can ever be attained by one who thinks only of himself.

Unless the common man seeks world empire and is prepared to move immediately, pay the price and run the risk, our only hope is for him, through you newsmen in my audience and around the world, to insist upon a complete reorientation of foreign policy toward influence and example instead of secret diplomacy and force.

## T. A. Hellwig, Jr. With Fahnestock & Co.

Theodore A. Hellwig, Jr., Lieutenant Commander, U.S.N.R., formerly vice president of Investors Counsel Incorporated, has become associated with Fahnestock & Co., 65 Broadway, members of the New York Stock Exchange, after four years of active duty in the naval aviation branch of the service.

## Gov. Draper Defends Tobey Bill

(Continued from page 1251)

had the power to enter into 'take-out' arrangements with financing institutions on a severely limited type of loan, and notwithstanding the limitations, use of this power has been helpful and advantageous in many cases. In past business depressions, banks have been compelled to contract their business financing activities. Even in prosperous times banks have sometimes been obliged to decline accommodation for customers either because the bank was not equipped to provide the type of financing sought, or because the risks of the proposed loan seemed greater to the bank's officers than could properly be assumed unassisted. These instances have been particularly numerous in the case of small business. The bill would make the assistance of the Federal Reserve Banks available for underwriting individual business loans on a partial basis, but only if requested by the lending bank. It would thus help to assure an adequate and continuous flow of private credit to business, and especially to small enterprise.

"Federal Reserve Bank commitments to share with financial institutions the risks of business lending would be subject to appropriate limitations under the bill. No loan guaranteed would have a maturity of more than ten years. Each lending institution would need to assume at least one-tenth of the risk on individual loans and in most cases would carry a much larger fraction of the risk. Banks would pay a fee for the partial guarantee. As the fee would increase with the percentage of the loan guaranteed, there would always be an incentive for the lending bank to assume as much of the risk as possible. The aggregate amount of all guarantees and commitments could not exceed the combined surplus of the Reserve Banks.

"It is recognized," continued Governor Draper, "that business and credit conditions at present and at other times may not be such as to require extensive use of the guarantee authority which the Reserve Banks would have under this bill. However, a standby authority to underwrite loans should be a part of the Federal Reserve law in order that it may be promptly available in periods when the need may be greater. The Reserve Banks are especially qualified by experience and function to provide this continuing underwriting service to banks and other lending institutions, and, because of their responsibilities for maintaining sound credit conditions regionally, would coordinate their activities in this field with other credit policies.

"During the 'thirties under Section 13b of the Federal Reserve Act and during the war under the V loan program for guaranteeing war production and contract termination loans, the Federal Reserve Banks gained valuable experience in helping private banking to supply financial assistance to business enterprises. The bill provides for the further application of this experience to problems of peacetime. It employs established agencies for carrying out its purposes and applies tested banking principles. If the economy is to attain the goal of sustained high levels of productive activity and employment, we will need to provide our private banking system with adequate authority to adjust promptly to changing financial needs of business."

### Charles Boigegrain With Chapin & Co., Detroit

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Charles J. Boigegrain has become associated with Chapin & Co., Penobscot Building, members of the Detroit Stock Exchange. Mr. Boigegrain was previously with Keane & Co., and Straus Securities Co.

## Will There Be a Recession in 1947?

(Continued from page 1246)  
business profits would not be as large as they had been.

Analyzing those three fears, I reached these conclusions.

### Is War Imminent?

But first let me say that quite honestly I cannot be regarded as a friend of the Soviet Union. I have had the opportunity within the last year and a half to spend a fairly considerable time in projects involving administration of enemy-held territory in Europe, and then last spring to prepare in Japan for General MacArthur a plan for fiscal economic reconstruction of the Japanese Islands. Both in Europe and in Asia I found not the slightest reason to develop a warmer friendship for the Soviet Union than I had before—and honestly I had little before.

I have gratitude for the fact that we found ourselves on the same side during a critical war, and I do not delude myself that it was either the generosity of the American people or of the Russian people that brought that fact about. It was historic circumstance stronger than the will of either people or their governments. I have a personal preoccupation with freedom which led to an obsession where Germany was concerned in the thirties, and quite honestly leads me to a somewhat similar obsession where the Soviet Union is concerned.

I won't belabor the point. I have made it merely to demonstrate one fact: that what I have to say on the question of war with the Soviet Union does not follow from a background of fellow-traveling. I have no such background. But last fall and today, I regard fear of war with the Soviet Union in any near or foreseeable future as absolute fantasy.

I want myself to be understood; because most businessmen—and most people—concern themselves with small pieces of history when they raise their questions such as the title of the talk, "Will there be recession in 1947?" We chop off a small piece of history and confine our scrutiny to it.

As sanguine as I am of peace with the Soviet Union in the near future, equally hopeless am I about the proposition that we have eliminated war in our international society.

So I offer you no permanent guarantee of peace. But the first of the three reasons for the expectation of recession in 1947 was in my view a completely foolish one. In economic terms, as a matter of fact, it was even more foolish, because the threat of war has never produced recession in any country I know of. Quite the contrary, our society contains painful paradoxes, one of which is that the threat of war is quite stimulating, economically, as we have had occasion to observe.

### The Labor Outlook

Now for the second reason: the fear of widespread and contagious and paralyzing strikes. I did not, last fall, nor early this year, believe in the prospect of a repetition of the labor strife of 1946, and thus far current history has borne out my expectation. I had a number of reasons for feeling so, which I will not now outline because my feeling is beginning to change, and I will come to the reasons for that beginning of change.

### Profits

And now the third: the fear that profits in 1947 would not be as great as they had been. Well, it is a curious fear, because the certainty was and is that 1947 profits will exceed the highest pre-war peacetime year America ever had. In other words, no matter what happens from this point on, that

fact will still be true, and if it is, how do we explain the contagion of gloom?

And now, I think, we begin to get down to the fundamentals. For a number of years we in the business community have been certain that there was something in the nature of an irrevocable conflict between what is loosely called the New Deal—government intervention—and business operation. And it takes no deep insight to point out that what was loosely called the New Deal no longer exists; and that those businessmen who have asked for an environment in which business could proceed have by and large had their requests granted and will continue to have their requests granted even further.

Yet now there is actually no group in this country that has as little basic confidence in the business structure as businessmen. There is no group in this country as obsessed with the effect of depression, and privately sure of the inevitability of its coming, as the business community. And so the slightest ill wind produces within us, and in exaggerated form, the certainty of our own destruction.

For five years of the war we made many promises. Business groups such as the Committee for Economic Development were, for a brief period of time, promising that the business community could produce continuous full employment. Well, our promises remained to embarrass us, because as a matter of realistic fact the business community cannot guarantee continuous full employment. And we are in the dilemma of the wage earner who has, in successive years, had his income increased, and then finds that no matter what his original ambitions were and no matter how much higher he exceeds his original aspirations, it is almost impossible for him to sink below his highest point.

He was, with some modesty, able to get along at four thousand a year; for a brief interval of time he found six thousand comfortable; at eight thousand he was almost wealthy; and at ten thousand his needs were fully taken care of. And yet he cannot be reduced to eight thousand without personal agony; because there is no two-way road in the expansion of either the individual or the business institution.

Once again businessmen with a great deal more foresight than frankness have been the first to recognize the basic problem—whether the peak of activity and of industrial expansion achieved during war can be continuously sustained by private demand during peace. And actually more than that is required; because in our country and in our kind of economy if there is to be high employment continuously we must constantly expand. Even the same rate of activity, producing full employment in one year, will leave a residue of nearly a half million unemployed the next year, if only for reasons of expansion of population.

If these were the sole factors I would still say that the prospect of recession in 1947 is absurd, and for these reasons: because we have not exhausted our capacity to consume; because the backlog of savings, even maldistributed as they are, is still large; because shortage still dominates many areas of activity; because the demands of a world hungry for goods and the even limited willingness of the United States to supply those goods on credits that will not be repaid is still a substantial portion of our national income.

And now another fact: All the New Deal ever insisted, fundamentally, was that in time of slack the government make up by public spending the quantity which was left slack by business.

I know many New Dealers. And I can tell you this privately: that I have never known a New Dealer who ever contemplated that our government would spend as much money in pump-priming as our government is today spending and will continue to spend for every last month of 1947.

### Armament Pump-Priming

The New Dealer would not choose military expenditure as his kind of pump-priming, but will readily admit that its stimulating economic effect is almost identical. And even with an apparently trimmed budget, trimmed to some \$33 billion—and I want to emphasize "apparently," because I would privately wager it will be exceeded before the end of 1947—a budget of \$33 billion pumped by the Federal Government into private channels is more than enough to weather even the exaggerated fears of the business community, when coupled with the, in many ways, outrageous demand that still exists.

When a new automobile can still sell for anywhere from two hundred to twelve hundred dollars more than its list price, we are not on the verge of failure of demand.

But now I come up to the problems of recent weeks. Up to now this has been a pessimist giving you an undiluted speech of optimism for 1947; and I have done so for some six months now. But this is my first public turn, and a rather private one. This is the first time in many months I have had occasion to say words of pessimism, because for the first time now they exist, and the reasons are three.

There is a serious probability of financial crisis in England, and there is a deadly characteristic of the world of today. The isolationist, the nationalist, the conservationist, and the economy-minded conservative cannot deny this characteristic: whatever happens in England is likely to be a more serious blow to our economic activity than any one of the factors we have been playing with mentally for the last six months. And the crisis in England cannot be exaggerated.

You have seen the first public repercussion in Greece. And keep this in mind: Even a Labor Government, perhaps particularly a Labor Government England, does not pull out in the face of the Soviet Union if it has any other alternative.

May I give England one compliment in a period of history in which I believe she is badly in need of some. I think the English Government knows the character of the Soviet problem a great deal better than we do. Here's a rule for operation in international or domestic activity: If you want to fight the communist, select the socialist to be your advance guard; because he knows the character of his enemy and his operation, and the conservative doesn't.

Once again, I am not one to minimize the communist problem in this country, but let me tell you this: that 98% of the stuff that is written in the American press on the communist problem is rubbish, because we are aware of the problem for precisely the wrong reasons, and we have exaggerated exactly the wrong things; and the conservative press in this country can be thanked for giving the Communist Party the strength it has today in this country—with only one exception: the Dies Committee is worth a lifetime's fortune to the Communist Party in America.

Having given my compliment to the British Government, let me return to the problem.

It didn't take much foresight during the war to realize that the British Empire was through; and if you want to just take a brief

glance at the magnitude of that word "through," take a look at these:

There are 400 million people in India, which the British Empire has let go.

With Greece, may go the Mediterranean.

In Palestine the British Government has confessed failure—and turning the problem to the UN is failure for Empire.

Australia is out of the British Empire; it is in the American Empire.

The Orient, in Empire terms, is dead. And in Indonesia the British were fighting a last stand for the Dutch Empire, not the British.

We in America have a facile and incredible way of telling how to solve problems when others are responsible for their administration. But others will not be responsible for their solution long, and a political and economic vacuum in the world of the greatest magnitude the world has ever seen is likely to open up within the next 18 months. There are no political vacuums that remain empty for any period of time.

### England's Crisis

And so my first reason for concern, the first danger sign, the first threat of real trouble, is financial crisis in England.

The second reason for concern: the fact that commodity prices in the last two weeks have hit their all-time high. And I have these reasons for concern: because precisely at the same moment that these prices have broken through their previous ceilings, precisely at that time there is a lessening of department-store sales throughout the country, there is increased consumer resistance, straight across the board.

And now to the third factor, which may yet prove pivotal. As prices continue up, a very substantial segment of consumer purchasing power has been going down. And the fact of the absence of strikes solves no problem in that direction—may, as a matter of fact, in long-range terms produce a problem. Because on the basis of rough justice, a strike at least holds out the possibility that wage income can still remain in some even keel with price. But labor has been chastened well, and the strikes have not occurred, and the gap is growing and may grow larger. And there it takes only the most modest knowledge of our society to anticipate what must ultimately occur. Prices cannot incline while wages drop, without finding yourself at a point at which the demand for the goods produced no longer exists. Which returns me to the original fear the business man has had, the one he hasn't stated, the one in back of his mind.

### Summary and Conclusions

If I may sum up: I would like to say a few things that I had occasion to say in the course of writing "The Rest of Your Life." I don't know by what process we delude ourselves, but we do. I don't know by what process we have assumed that the war solved any of the problems which existed before the war, but it is surprising how many people instinctively believe that has been the case. The fact is the war not only solved none of the problems which existed before, but magnified all of them, all of the distortions in our internal life and in international life.

And one of the things we have now ignored for quite a while is the truism in our kind of society: Stability is the thing least possible to achieve. We are either going up or we are going down. We never stand still. We have never had a period in which we have not faced the ultimate threat of depression or recession or unemployment. And let's not kid ourselves. Nothing has been altered in that picture. Nothing! Nor is government using any techniques

it didn't have and use 15 years ago, 30 years ago, or even 50 years ago. It might but it is not.

We find ourselves, with incredible illogic, reducing expenditure and taxes and trying to reduce the debt at the same time, without analyzing what is the economic environment we are seeking. If our problem is inflation—and I say this to a group including myself to whom the thought must inevitably be an unpopular one—the government expenditure should be reduced, debt should be paid off, but taxes should not only not be decreased but probably increased.

If, on the other hand, it is deflation or recession we face, then taxes should be decreased more quickly and more sharply than we are likely to, but expenditures should not be cut one penny.

But if we do both, then we are politicizing with our national economic life. We are not pursuing any objective, nor do we seek to create any kind of economic environment. And everything I have to say has as much to apply to one party as to another. This is as unpolitical a criticism of our approach to national problems as any that I can make.

We must begin to face several other new problems which are in addition to those which existed before.

For all of our history, up to World War I, two facts were true about the world: England was the great Empire-builder, depending on world trade, and therefore the great free-trader. America was the young nation, nationally building itself up, and therefore dependent on tariffs. But it is funny how many problems we approach with the lessons we learned in 1870. The world has changed. England today requires the tariffs—and you would be amazed how many Englishmen in all walks of life and of all political points of view are today advocating economic nationalism as the only salvation for England.

And the character of America has changed: America is the great Empire-builder and America's future is inevitably dependent on increasing world trade. That never was true before, and you cannot have increasing world trade and tariffs. You pursue one course or another. Is our course to be economic nationalism or trade expansion? And we can't make up our mind, largely because we can't see the problem in those terms.

We pretend to ourselves that there are international agencies like Bretton Woods and the World Bank, which rest upon many nations. But that is myth. Those agencies rest upon one nation, the United States. They are not international agencies. They are agencies pursuing the will of this country and dependent entirely upon the course we desire.

I know how much you would like me to get back to the question of recession in 1947. Some of you may have heard me before and you know that I don't duck questions, and I won't duck that one.

I still believe that recession in 1947 is unlikely—and that doesn't mean that prices won't drop. As a matter of fact, my belief that recession will not occur in 1947 depends upon some drop in prices. I know of no better way of guaranteeing recession—but let me not be mild—I know of no better way of guaranteeing depression than a continued incline in prices. Because when they drop they will really drop. And it will not be with the mild overtones of what we call recession.

In weighing all the factors I have presented, I do not believe that 1947 will see any considerable recession or any even minor economic crisis in American economic life. I believe, that without quite knowing why, in many cases, we are going to fill a portion of the British vacuum. I believe that, not knowing fully all the facts,

we shall continue to sustain our military expenditure. I believe the government funds will continue to help sustain this economy for all of 1947. I do not believe that we will either hit that level of production or exhaust that volume of demand in more than isolated lines, sufficiently to prove disturbing in 1947. I believe 1947 is, in other words, either the last or next to the last of the guaranteed business years for some time. I believe this is the interval of grace we have to come to grips with our problems, to see them clearly and begin to meet them, whether they are problems of our own labor or problems of our expenditure, or problems of the world.

I am afraid really of only one thing for 1947. A shout of fire in a crowded theater can frequently produce as many casualties, even if there is no fire. And if enough businessmen believe there will be a recession and act accordingly, they can so easily produce it. And if business decisions are going to be made on the basis of how much spending is being done in Florida this Winter, in comparison with last Winter, or what the black-market price is on a Cadillac, or whether demand has fallen off for the mink coat—if these are the indicia which to our economic judgment spell reliable indications of health or illness, then we businessmen can really produce our own doom with no adequate economic reason.

In other words, I think we have, for the wrong reasons, done many right things. But I urge that we begin to examine some of the real reasons for concern for the years beyond 1947.

## Philip H. Morton Joins C. S. Jeffrey Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Philip H. Morton has become associated



Philip H. Morton

with C. S. Jeffrey Co., 79 Milk Street. Mr. Morton was previously Boston manager for Ira Haupt & Co. and prior thereto was with R. W. Pressprich & Co.

## Clarence O'Brien With Samuel & Engler Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, OHIO—Clarence O'Brien has become associated with the Samuel & Engler Co., 16 East Broad Street. Mr. O'Brien was formerly an individual dealer in Columbus for many years.

## William G. Hobbs, Jr. V.-P. of Russ & Co.

SAN ANTONIO, TEX.—Russ & Co., Inc., Alamo National Bank Building, announce that William G. Hobbs, Jr. has been elected Vice-President of their firm in charge of the corporate and municipal trading department.

## H. R. Platner Opens

OGDENSBURG, N. Y.—H. Russell Platner is engaging in the securities business from offices at 209 Ford Street.

## McCloy Elected World Bank President

(Continued from page 1252)  
tional changes, it is now understood that such projected plans have been dropped. It is felt that the basic shortcomings instead have been repaired by the enlistment of Mr. Black's expert and practical abilities in securities marketing, a move which Mr. McCloy made to repair the previous fault of the investor not being properly represented.

It is highly significant that on Feb. 25, a resolution was introduced into the New York State Legislature permitting the insurance companies to invest in World Bank bonds up to 5% of the total resources of each company. The Legislature has already made the bonds legal investments for savings banks in the State.

In this connection and also because of technical considerations bound up with the printing and distribution of the Bank's bonds, it will be necessary for the institution to have a New York office. In addition to liaison with the insurance companies, the need for frequent and close contact with commercial banks and insurance companies, as well as with the New York Federal Reserve Bank, will no doubt require an office in the New York financial center.

Mr. McCloy feels that while the President has tremendous moral responsibility for the repayment of the Bank's obligations, he himself is familiar mainly with their form rather than their worth—the latter being a banking rather than a legal function. Mr. Black, he feels, is admirably equipped to function as his lieutenant in this regard.

Mr. Garner, who for several years in the early 1920s was in the underwriting of bonds rather than in their distribution, presumably will be responsible for the Bank's staff work prior to the Executive Directors making a decision on loans.

Although the Bank has pending loan applications of almost \$2 billions, it can be assumed that the institution will make no loans until Mr. McCloy assumes his duties March 17.

### Capital Subscriptions

The Articles of Agreement of the Bank [Article XI, Section 2 (d)], require the payment of 1/100 of 1% of the capital subscription of each member country at the time of signature of the Articles. These payments were treated in the same way as the initial payments to the Fund. Accordingly, the United States paid the Bank \$317,500 under this clause. Total payments by all member countries aggregated \$737,000.

Under Article II, Sections 7 and 8, the balance of 2% of the capital subscription became payable within 60 days after the Bank began operations, i.e., on or before Aug. 24, 1946. The United States accordingly paid an additional \$63,182.500 to the Bank on June 28, 1946. The Bank, in accordance with Article II, Sections 5, 7, and 8, called for an additional 3% (\$95,250,000) as of June 25, 1946, payable on or before Nov. 25, 1946. This call was likewise paid on June 28, 1946. The total paid to the Bank by the United States as of Oct. 31, 1946, amounted, therefore, to \$158,750,000.

As of Sept. 25, 1946, the Bank called an additional 5% of the capital subscription of all members payable by Nov. 25, 1946, and it has also given notice that it intends to make two additional calls of 5% each, payable by Feb. 25, 1947, and May 26, 1947, respectively. The United States payment on each of these calls will be \$158,750,000, so that a total of \$635,000,000 will be paid in on capital subscription by the United States. The remainder of the United States subscription to the capital stock of the Bank will not be called unless funds are needed

to make payments to investors to meet obligations of the Bank.

In accordance with the Bretton Woods Agreements Act, the United States will exercise its option to deliver non-negotiable, non-interest bearing demands notes in exchange for dollars not needed in the Bank's operations, as provided in Article V, Section 12, of the Bank Agreement.

There follow herewith biographical sketches of the Bank's three new key officials.

### JOHN J. McCLOY

John J. McCloy, President of the International Bank for Reconstruction and Development, was born in Philadelphia, the son of John Jay and Anna Snader McCloy, on March 31, 1895. He received his preliminary education at Peddie School, Hightstown, New Jersey. In the fall of 1912, he enrolled in Amherst College, Amherst, Massachusetts, from which he was graduated with honors in 1916. He then entered Harvard University, Cambridge, Massachusetts, as a law student.

At the outbreak of the World War, Mr. McCloy discontinued his law studies to enter the Plattsburgh Training Camp in May, 1917. He served in France with the American Expeditionary Forces as a Captain of Field Artillery. He returned to resume the study of law and graduated from the Harvard Law School in 1921. He commenced the practice of law in July of 1922 after admission to practice and became a member of the firm of Cravath, de Gersdorff, Swaine & Wood, New York City, on July 1, 1929.

Mr. McCloy travelled in France and Italy, and other European countries between June, 1927, and 1928 on business of his firm and on April 25, 1930 took charge of the Paris office of Cravath, de Gersdorff, Swaine & Wood, until June 29, 1931 when he resumed practice in this country.

In the summer of 1940 Mr. Stimson, the Secretary of War, requested him to come to the War Department, and on Oct. 8, 1940, he was appointed expert consultant to the Secretary of War. On Dec. 16, 1940, he was appointed Special Assistant to the Secretary of War.

He became the Assistant Secretary of War on April 22, 1941, serving until November, 1945, when he returned to practice as a member of the firm of Milbank, Tweed, Hope, Hadley & McCloy.

He travelled extensively in connection with his duties as the Assistant Secretary of War, visiting practically all fronts and attending as a representative of the War Department several of the Big Three war conferences.

During the war, in addition to his regular position, he was appointed Chairman of Combined Court Affairs Committee of the Combined Chiefs of Staff. He was awarded the Distinguished Service Medal by President Truman for his services in the war.

Mr. McCloy was married to Miss Ellen Zinsser on April 25, 1930. They have two children, John, Jr., born on Nov. 5, 1937, and Ellen, Jr., born on July 16, 1941.

### EUGENE R. BLACK

Mr. Black, nominated as U. S. Executive Director of the World Bank, was born in Atlanta, Ga., in 1898. The son of Eugene R. Black, former Governor of the Federal Reserve System, Mr. Black was graduated from the University of Georgia with honors and served as an Ensign in the Navy in World War I. He became associated with Harris Forbes & Company in 1918. Subsequently he was an officer of Chase-Harris Forbes Corporation, later becoming Vice-President of the Chase National Bank. In the Third War Loan Drive Mr. Black was

Director of the Banking and Investment Division, New York City, and was prominently connected with the other various War Loan drives. In the past two or three years he has done considerable foreign work for the Chase National Bank, just returning from a two months trip to Europe in connection with foreign credits. His home is at Princeton, N. J. In addition to Mrs. Black, his family consists of a daughter, Mrs. Peter Campbell and two sons, Eugene Robert Black, Jr. and William Heath Black.

### ROBERT L. GARNER

Mr. Garner, newly appointed Vice-President of the World Bank, was born in Bolton, Miss. in 1894. He attended Columbia Military Academy and Vanderbilt University, Nashville, Tenn. In World War I he served as Captain of Infantry, 77th Division. Mr. Garner is financial Vice-President and a director of General Foods Corp. with which company he has been associated since 1943. From 1929 to 1943 he was Vice-President and Treasurer of the Guaranty Trust Co. of New York and, prior to that, was associated with the Guaranty Co., working on the underwriting of both domestic and foreign loans. He helped to organize the First War Loan Drive in the Second Federal Reserve District in 1942. He is a member of the Banking Board, State of New York. Mr. Garner lives in New York City. He has a son, Robert W. Garner, and a daughter, Joan F. Garner.

### BANKING WORLD IS ENTHUSIASTIC

With the announcement of the new officials, enthusiastic statements of approval were issued by several prominent banking officials, as follows.

Statement of Winthrop W. Aldrich, Chairman of the Chase National Bank, and Chairman of the President's Committee for Financing Foreign Trade—"With the senior positions at the International Bank now filled again, the Bank has every prospect of fulfilling its vital part in world reconstruction.

"This management deserves and will have the confidence of the institutional and private investors in this country that will assure a market for its securities."

R. C. Leffingwell, Chairman of the Executive Committee of J. P. Morgan & Co. Inc., Assistant Secretary of the Treasury in the First World War, said: "The appointment of Mr. McCloy and his acceptance of the presidency of the World Bank is good news. No civilian did greater service to our country than he in World War II.

His experience as Assistant Secretary of War and as a lawyer has well fitted him for his high task. His distinguished colleagues, Eugene Black and Robert Garner, are admirably qualified to support him. The World Bank has a great opportunity to aid in reconstruction and development abroad. In proportion as it succeeds in that undertaking it will promote peace and prosperity for all of us. Everyone must wish the Bank and Mr. McCloy and his associates the fullest success in this high enterprise."

Statement by Elliot V. Bell, Superintendent of Banks, on The International Bank for Reconstruction and Development—"This troubled world can take courage from the news that John J. McCloy, Robert L. Garner and Eugene R. Black have agreed to manage The International Bank for Reconstruction and Development.

"There has never been any serious question about the soundness of the World Bank idea. Such an institution is desperately needed at this time. The one ques-

tion practical men have asked is: Will the bank have good management? That question has now been answered.

"With these able men in charge we can all have renewed confidence in the bank. An important step has been taken toward world recovery and economic peace."

Statement by W. L. Hemingway, Chairman, Mercantile-Commerce Bank and Trust Co., St. Louis: "The announcement of Mr. McCloy's acceptance of the presidency of the International Bank and of his able assistants, Mr. Eugene Black and Mr. Robert Garner, is encouraging evidence that the affairs of the bank will be in capable hands. If these gentlemen are clothed with the power to administer the affairs of the bank in the way that is customary for bank executives to operate, we can expect prompt and competent action by the bank to help in the difficult tasks of reconstruction in this troubled world. By following the statutes of the bank and using their good judgment and experience confidence in the bank will be secured and it will be enabled to perform the functions for which it was created."

## Truman Asks Relief Funds Abroad

With UNRRA going out of business President Truman is seeking \$350,000,000 from Congress for direct relief by the United States to "liberated" countries during 1947, Associated Press Washington advises of Feb. 23 stated. A bill introduced in response to the President's request by Chairman Eaton (R-N. J.) of the House Foreign Affairs Committee would carry the provision that nations receiving part of such aid would have to permit American newsmen to report on its use.

UNRRA is scheduled to cease operations March 31. Mr. Truman said in his message to Congress: "On humanitarian grounds and in the light of our own self-interest as well, we must not leave the task unfinished. We cannot abandon the peoples still in need." He said he thought the relief contribution should be used only for providing such basic essentials as medical supplies, food, and items which will aid in the production of foodstuffs. The President's recommendation was only for liberated countries. American relief activities in occupied countries, such as Germany and Austria, are financed by the War Department from its appropriations.

## Notables Attend Financial Follies

More than a thousand leaders of government, industry and finance attended the 1947 edition of the "Financial Follies," annual satire presented by the New York Financial Writers Association.

The guest list included: Eugene H. Holman, President of Standard Oil of New Jersey; Mark Woods, President of American Broadcasting Co.; Walter S. Mack, Jr., President of Pepsi-Cola Co.; Philip D. Reed, Chairman of General Electric; Nelson A. Rockefeller, former Assistant Secretary of State; Emil Schram, President of the New York Stock Exchange; Robert R. Young, Chairman of Chesapeake & Ohio Railroad.

Also, W. Randolph Burgess, Vice-Chairman of National City Bank; E. V. Rickenbacker, President of Eastern Airlines; William McChesney Martin, Director of the Export-Import Bank; Calvin Verity, Executive Vice-President of American Rolling Mill Co., and Francis Adams Truslow, the new President of the New York Curb Exchange.

## Economists Suggest Detailed Monetary Reform To the President and Congress

(Continued from page 1253) pennies—shall be legal tender only up to 25 cents, and that subsidiary or fractional silver<sup>5</sup> coins shall be legal tender only up to \$10. Under present law a debtor can legally annoy his creditor by paying any size debt in pennies, nickels, or fractional silver coins. The preceding legal tender laws in respect to these coins were properly conceived and sound.

(b) Full legal tender quality should be given to all legally-issued circulating Treasury currency except subsidiary or fractional<sup>5</sup> silver and minor coins, as indicated in [a], bank notes, and Treasury Notes of 1890 in process of retirement.

Specifically, the following should have the full legal tender quality: silver dollars, silver certificates, and United States notes.

Since gold and gold certificates cannot legally be used domestically under our international gold bullion standard, they cannot with consistency be given any legal tender quality. As the confused laws on legal tender stand today, the law prohibiting the free use of gold and gold certificates domestically nullifies that portion of the law which declares this money to be full legal tender.

(c) Bank notes should not be given the quality of legal tender for the reason that, considering the meaning of legal tender, a Federal Reserve bank could use its own notes (a liability of the bank) as a reserve against another liability (its deposits). Since Federal Reserve notes were given the quality of full legal tender by the Act of May 12, 1933, and Public Resolution No. 10 of June 5, 1933, the Federal Reserve banks could legally use these notes as reserves against their deposits. But the law of June 12, 1945, nullifies this aspect of the legal tender quality of these notes by providing that only gold certificates (which, despite their full legal tender quality, cannot be paid out) may count as lawful money for reserves against deposits in Federal Reserve banks. This is another sample of how, in the present maze of legal inconsistencies, one law conflicts with or nullifies another.

Congress should make all bank notes receivable for all debts, public and private, at the same time providing that such notes may not be counted as reserves against other notes or deposits of the issuing banks, thus avoiding the present conflicts between the meaning of a legal tender money and one that may properly serve as lawful money for reserves against deposits in our Federal Reserve banks. The wording of the original Federal Reserve Act was properly conceived when it made Federal Reserve notes and Federal Reserve bank notes receivable for certain specified purposes. National bank notes prior to the law of May 12, 1933, were likewise, and properly, made receivable for certain specified purposes.

In short, all bank notes, whether being issued or retired, should be deprived of the legal tender quality and should be made receivable for certain specified purposes.

Today, Federal Reserve bank notes (most of which bear the legend "National Currency") and national bank notes are in the process of retirement and are carried as liabilities of the Treasury (as part of Treasury currency).<sup>6</sup> This fact does not justify giving bank notes the legal tender quality, though these notes be part of Treasury currency, while being retired. The purposes of legal tender and of retirement are conflicting in nature. Nor should any law authorize the use of bank notes, in process of retirement, as

reserves against deposits in Federal Reserve banks merely because they are Treasury currency temporarily. In so far as our monetary standard will permit, reserves should be composed of money that can be paid out upon demand. Bank notes in process of retirement cannot properly be paid out; they should be treated as uncollected items—just like uncollected checks. The same principle should be applied to all Treasury currency in process of retirement, and for the same reason. In other words, when a Treasury currency is to be retired it should be deprived of the legal tender quality.

**Item No. 8**—Congress should amend the law of June 12, 1945, by providing that all Treasury currency, except that in process of retirement, should be counted, along with gold certificates, as part of the lawful money for reserves against deposits in Federal Reserve banks. In short, all silver and minor coins, silver certificates, and United States notes should be added to gold certificates as part of the money that is lawful for reserves in Federal Reserve banks against their deposits.<sup>7</sup>

**Item No. 9**—Congress should require of the United States Treasury and Department of War a detailed accounting of the issuance of, and liabilities for, Allied Military Currency.<sup>8</sup>

**Item No. 10**—The United States Senate should not revive nor extend the life of the Senate Special Silver Committee. This has been a pressure group operating constantly in behalf of silver mining interests, and its existence and operations have reflected badly upon the objectivity of Congress in matters affecting our monetary system and silver. All monetary questions should be assigned to the appropriate standing committees dealing with money or coinage.

### SIGNED

Eugene E. Agger, Rutgers University

Charles C. Arbuthnot, Western Reserve University (Second choice)

James Washington Bell, Northwestern University (See footnotes 3, 9)

William A. Berridge, Metropolitan Life Insurance Co., N. Y. C.

Ernest L. Bogart, New York City (See footnotes 3, 8)

Frederick A. Bradford, Lehigh University (See footnotes 3, 7, 10)

J. Ray Cable, Missouri Valley College

Wilbur P. Calhoun, University of Cincinnati (Second choice)

Garfield Cox, The University of Chicago (See footnote 11)

Rev. Bernard W. Dempsey, S.J., St. Louis University (See footnote 11)

Charles A. Dice, The Ohio State University

William E. Dunkman, The University of Rochester

D. W. Ellsworth, E. W. Axe & Co., Inc., Tarrytown, N. Y. (Second choice)

William D. Ennis, Stevens Institute of Technology (See footnotes 3, 11, 12)

Fred R. Fairchild, Yale University (Second choice)

Charles C. Fichtner, Buffalo, New York (Subscribers to Items No. 1-7, 9, 10)

Major B. Foster, Alexander Hamilton Institute and New York University (See footnotes 1, 5, 8)

Roy L. Garis, University of Southern California (Second choice) See footnotes 3, 6, 11

E. C. Harwood, American Institute for Economic Research (Second choice)

Hudson B. Hastings, Yale University (See footnotes 8, 11)

William F. Hauhart, Dean Emeritus, Southern Methodist University (See footnote 3)

John Thom Holsworth, The University of Miami (See footnote 13)

Montfort Jones, The University of Pittsburgh (See footnote 3)

Donald L. Kemmerer, University of Illinois (Second choice. See footnotes 3, 8)

William H. Kieckhofer, The University of Wisconsin

William H. Kniffin, Bank of Rockville Centre Trust Co., Long Island (Second choice)

Frederic E. Lee, University of Illinois (See footnote 3)

J. L. Leonard, University of Southern California

Philip H. Lohman, University of Vermont (See footnotes 3, 14)

A. Wilfred May, The Commercial and Financial Chronicle, N.Y.C. (Second choice)

Margaret G. Myers, Vassar College

Melchior Palyi, Chicago, Illinois

Frank Parker, University of Pennsylvania

Clyde William Phelps, University of Southern California

Charles L. Prather, University of Texas (See footnotes 3, 6, 8)

Howard H. Preston, University of Washington (Subscribes to Items No. 1-6 7[a], 8, 10. See footnotes 3, 11)

Leland Rex Robinson, 2 West 45th Street, N. Y. C.

R. G. Rodkey, University of Michigan (See footnote 3)

Olin Glenn Saxon, Yale University (Second choice)

Walter E. Spahr, New York University (Second choice)

William H. Steiner, Brooklyn College

Charles S. Tippett, Mercersburg Academy (See footnote 4)

Alvin S. Tostlebe, The College of Wooster (With reservations on Item No. 7)

James B. Trant, Louisiana State University (Second choice with some reservations as to wording of 7 [b])

Russell Weisman, Western Reserve University

Nathaniel R. Whitney, The Procter and Gamble Co., Cincinnati (Second choice. See footnotes 2, 15)

Edward Wiest, University of Kentucky

Max Winkler, College of the City of New York

Ivan Wright, Brooklyn College (See footnotes 2, 8, 16)

**1**Professor Major B. Foster suggests that "The repeal of Sections 8 and 9 would appropriately confirm our good faith in the undertaking we made upon adhering to the Bretton Woods Agreement."

**2**In reference to the last 14 words of the third paragraph under Item 4, Drs. Whitney and Wright think there should be no restriction on the sale of Treasury silver if there is a surplus.

**3**Dr. Bradford, Ennis, Garis, Hauhart, Kemmerer, Lee, Prather, Preston, and Rodkey recommend that United States notes also be eliminated. Dr. Bogart would also subscribe to this recommendation although he does not think it very important. Dr. Bradford assumes that silver dollars also would be eliminated. Drs. Bradford, Hauhart, Jones, Lee, Lohman, and Rodkey would like to see silver certificates retired. Dr. Bell would also favor these recommendations regarding United States notes and silver certificates, but he does not consider them very significant as compared to the more fundamental problems.

**4**Dr. Tippett says in respect to Item No. 7: "There was a time when the legal tender qualities of money were important. Today I doubt whether it makes much difference one way or the other, except in the case of coins, the legal tender qualities of which should be limited primarily for convenience, so that somebody with a grudge might not try to pay off \$1,000 debt with nickels."

**5**Professor Major B. Foster thinks that the words "or fractional" should be eliminated. He says: "I consider 'fractional' improper as long as two halves, four quarters, 10 dimes do not, in fact, contain the same amount of silver as is contained in a dollar. My objection would be lessened . . . if the word 'fractional' were enclosed in quotation marks."

**6**Dr. Garis and Prather recommend that the retirement of these notes and also Treasury Notes of 1890 be forced by a congressional act. Dr. Bell does not

think this matter significant except that simplification is desirable.

**7**Dr. Bradford does not agree with this paragraph. He says that only gold certificates should serve as reserves against Federal Reserve notes and deposits and that these certificates should be redeemable in gold bullion.

**8**Drs. Bogart, Hastings, Kemmerer, Prather, and Wright think this recommendation unimportant and perhaps undesirable.

**Professor Major B. Foster** thinks that the words "and liabilities for, together with surrounding commas, should be deleted" because they might be interpreted as an admission by the Congress that such liability exists and hence that in the future the Executive may again legally obligate the Government in this or in allegedly comparable ways without the authorization, direction or consent of the Congress."

**9**Dr. Bell raised the question of whether it would be desirable "to add a provision for the conversion of other forms of money into gold at a fixed price (\$35.00 per fine ounce) in the minimum amounts, say 10 ounces."

**10**Dr. Bradford agrees with Bell on the desirability of provision for redemption in gold bullion. He would also like to see a provision for the circulation of gold certificates, the latter to be unconditionally redeemable in gold bars. He would suggest 400-ounce standard bars as a redemption unit. "This is," he says, "larger than the unit Dr. Bell suggests, but was used successfully in England in the 'twenties' and would meet all needs except personal hoarding." Dr. Bradford adds that "without some provision for redemption in gold bullion (without strings attached), I cannot subscribe to Program I."

**11**Dr. Dempsey thinks it very important that Congress and the public recognize that the recommended programs are nothing more than "minimum essentials or essentials or essential conditions for Monetary Policy," and that "There is a wide range of policy determination still left even after these desirable reforms have been achieved." Drs. Cox, Ennis, Garis, Hastings, and Preston concurred in these views.

**12**Dr. Ennis would delete all but the third paragraph under Item No. 7[c].

**13**See footnote 14 of Program II.

**14**Dr. Lohman is among those who disapprove of Program II and desires that it be so stated.

**15**Dr. Whitney indicates that if Program I should be adopted he hopes it would be only the beginning and that we ultimately could obtain something like Program II.

**16**Dr. Wright has some reservations regarding the recommendations in Item No. 8 and in the last two paragraphs of Item No. 7[b].

### PROGRAM No. II

Program No. II suggests the restoration of the coinage laws with respect to gold and silver substantially as they were in 1932 should Congress decide to restore a gold-coin standard. It is recommended, however, that no change be made in the present price of \$35 per ounce of fine gold and that no gold coin of less than \$10 denomination be minted or issued.

Commenting on this recommendation those who sign the program say: "A return to a gold-coin monetary standard restores to the people of the United States direct control over the public purse." They say further that: "The choice lies between a continued deprivation of the people of this country of a direct control over the public purse by the maintenance of something other than a gold-coin standard and the restoration of this control to them by a return to a gold-coin standard with proper safeguards and fire escapes."

### PROGRAM No. II

#### A Monetary Program for the Federal Government Should Congress Decide to Restore the Gold-Coin Standard

**Item No. 1**—Congress should restore the coinage laws with respect to gold and silver coins substantially as they were in 1932, except that the standard gold dollar should weigh 15-5/21 grains 9/10 fine and an ounce of fine gold should equal 35 gold dollars, fine. The mint ratio between gold and silver coins would be changed in accordance with the present weight and fineness of these coins. No gold coin of less than \$10 denomination should be minted or issued.

(a) All laws in conflict with these provisions should be repealed. No one other than Congress should have the authority to alter the weight or fineness of this nation's coins or standard

monetary unit. The Constitution places this responsibility in Congress.

(b) Standard gold coin and gold certificates should be given the quality of full legal tender.

(c) All other money should be maintained on a parity with the standard gold dollar by freedom of exchange at par with standard gold.

(d) Standard gold bullion and coin as well as gold certificates should be declared to be lawful money for reserves against deposits in Federal Reserve banks and in the 5 per cent redemption fund against Federal Reserve notes.

(e) Standard gold bullion and coin as well as gold certificates should count as part of the minimum reserve of 25% to be held by Federal Reserve banks against their Federal Reserve notes in actual circulation.

Some basic considerations: A return to a gold-coin monetary standard restores to the people of the United States direct control over the public purse. Should the people, with a gold-coin monetary standard, become disturbed over the volume and quality of non-gold currency or government securities being issued, they could call a halt to their further issuance or force a decline in their market values by presenting them for redemption in gold.

A return to a gold-coin standard would also enable our own people, as well as those of other countries, to have free access to our supply of gold. (Today only other countries can obtain our gold.) It would also make our gold reserves usable at home as well as in the making of international payments.

(Today our gold reserves are used as a basis for computing reserve ratios between them and gold certificates, United States notes, Treasury Notes of 1890, and Federal Reserve notes and deposits, but these reserves cannot be paid out domestically.) These considerations suggest the desirability of a return to a gold-coin standard.

On the other hand there are the dangers inherent in the possibility of a great hoarding of gold. Considering the very large volume of non-gold currency and government securities that have been issued and of bank deposits that have been created in recent years, these dangers are very real.

The solution lies in doing those things that would make it undesirable for people to hoard gold. Briefly, the following appear to be prerequisites to a successful operation of a gold-coin standard:

(a) All commercial, savings banks, and trust companies accepting deposits should be members of the Federal Deposit Insurance Corporation.<sup>2</sup>

(b) All commercial banks and financial institutions carrying on commercial banking should be members of the Federal Reserve System.<sup>3</sup>

(c) In the event of a run on a commercial bank it should be able to pledge or exchange any of its assets with its Federal Reserve bank for gold or other cash as demanded by its depositors. Similarly, any Federal Reserve bank should be able to turn to all other Reserve banks for similar aid.

Should the reserves or gold of all the Federal Reserve banks be depleted, they should be enabled to pledge their assets with the Treasury until its reserves are depleted. Before that stage is reached, the Treasury should sell its securities (against the pledged assets) to the public at rates of return to purchasers sufficiently high to make it profitable for a large number of people to invest in government securities, because of the interest return, rather than to hold non-interest-bearing gold. The Treasury would then deposit its gold and other cash receipts with the Reserve banks, thus replenishing their reserves. The Reserve banks would redeem their assets pledged with the Treasury

when reserves became ample, and the Treasury would purchase its securities in the open market when its funds permitted. Should these devices fail, then it would be necessary to suspend gold payments.<sup>4</sup>

The common argument that a gold-coin standard is impracticable because there is not enough gold to go around can be applied to any commodity that has value. Scarcity is a basic requisite to value. Only when a good is so plentiful that it is free is there "enough to go around." But then it has no value. There are not enough elevators in a building should all entitled to use them demand their use at the same time. This is true of all economic goods of value—our trains, our bridges, our ships, our buildings, and so on. Gold is not different from other scarce goods in this respect. Therefore, the common argument, employed in 1933 and heard occasionally today, that because there is not enough gold to go around, should all or many demand it at once, it cannot therefore be safely and properly employed as a gold-coin monetary standard, is fallacious. The answer lies in the proper and orderly use of gold as money and in provision for adequate fire escapes to meet those occasions when demands for it become panicky and abnormal.

The choice lies between a continued deprivation of the people of this country of a direct control over the public purse by the maintenance of something other than a gold-coin standard and the restoration of this control to them by a return to a gold-coin standard with proper safeguards and fire escapes.

**Item No. 2**—Congress should repeal all of the Gold Reserve Act of 1934 in deference to a gold-coin standard law.

**Item No. 3**—Congress should repeal all laws giving the President authority to provide for unlimited coinage of silver, to alter the mint ratio between gold and silver, to alter the weight of our silver and subsidiary coins, to institute bimetallism, and to prescribe mint or seigniorage charges for gold or silver.

**Item No. 4**—Congress should repeal the Act of Nov. 1, 1893 (C 8, 28 Stat. 4), as explained in Item No. 3 of Program I.

**Item No. 5**—Congress should repeal the Silver Purchase Act of June 19, 1934, the domestic silver law of July 31, 1946, and the domestic silver purchase law of July 6, 1939, to the extent that any of that last law has not been repealed. The provisions of the silver laws as they stood in 1932, except for the Act of Nov. 1, 1893, should be restored. When the Treasury needs silver for monetary purposes, it should purchase it at the market price provided this not exceed \$1.2929 per fine ounce.

Since the Treasury in recent years has bought silver at artificially high prices, Congress has the choice of deciding whether it will direct the Treasury to sell its surplus silver (that not serving as coin and as security for silver certificates and Treasury Notes of 1890) at the market price or at cost. It is here recommended that the Treasury be directed to sell its surplus or so-called "free" silver at the market price, provided this be not less than the cost (average per ounce) to the Treasury.<sup>5</sup>

**Item No. 6**—Congress should repeal all of Title III of the Act of May 12, 1933 (the so-called Thomas Inflation Act, Public No. 10, 73d Cong.).

**Item No. 7**—Congress should repeal all authority to issue national bank notes and Federal Reserve bank notes.<sup>6</sup>

**Item No. 8**—Congress should repeal that part of Public Resolution No. 10, approved June 5, 1933, which provides that all coins and currencies of the United States shall be full legal tender.

(a) Congress should restore those provisions of our earlier legal tender laws which provided that our minor coins—nickels and pennies—shall be legal tender only up to 25 cents, and that subsidiary or fractional silver coins shall be legal tender only up to \$10. Under present law a debtor can legally annoy his creditor by paying any debt in pennies, nickels, or fractional silver coins. The preceding legal tender laws in respect to these coins were properly conceived and sound.

(b) Full legal tender quality should be given to all legally-issued circulating Treasury currency except subsidiary or fractional silver and minor coins, as indicated in [a], and bank notes and Treasury Notes of 1890 in process of retirement.

Specifically, the following should have the quality of full legal tender: gold coin and gold certificates, silver dollars and silver certificates, and United States notes.

(c) Bank notes should not be given the quality of legal tender for the reason that, considering the meaning of legal tender, a Federal Reserve bank could use its own notes (a liability of the bank) as a reserve against another liability (its deposits). Since Federal Reserve notes were given the quality of full legal tender by the Act of May 12, 1933, and Public Resolution No. 10 of June 5, 1933, the Federal Reserve banks could legally use these notes as reserves against their deposits.

Congress should make all bank notes receivable for all debts, public and private, at the same time providing that such notes may not be counted as reserves against other notes or deposits of the issuing banks, thus avoiding the present conflicts between the meaning of a legal tender money and one that may properly serve as lawful money for reserves against deposits in our Federal Reserve banks. The wording of the original Federal Reserve Act was properly conceived when it made Federal Reserve notes and Federal Reserve bank notes receivable for certain specified purposes. National bank notes prior to the law of May 12, 1933, were likewise, and properly, made receivable for certain specified purposes.

In short, all bank notes, whether being issued or retired, should be deprived of the legal tender quality and should be made receivable for certain specified purposes.

Today, Federal Reserve bank notes (most of which bear the legend "National Currency") and national bank notes are in the process of retirement and are carried as liabilities of the Treasury (as part of Treasury currency). This fact does not justify giving bank notes the legal tender quality, though these notes be part of Treasury currency, while being retired. The purposes of legal tender and of retirement are conflicting in nature. Nor should any law authorize the use of bank notes, in process of retirement, as reserves against deposits in Federal Reserve banks merely because they are Treasury currency temporarily. In so far as our monetary standard will permit, reserves should be composed of money that can be paid out upon demand. Bank notes in process of retirement cannot properly be paid out; they should be treated as uncollected items—just like uncollected checks. The same principle should be applied to all Treasury currency in process of retirement, and for the same reason. In other words, when a Treasury currency is to be retired it should be deprived of the legal tender quality.<sup>7</sup>

**Item No. 9**—Congress should amend the law of June 12, 1945, by providing that all Treasury currency, except that in process of retirement, should be counted, along with gold and gold certificates, as part of the lawful money for reserves against deposits in

Federal Reserve banks. In short, all silver and minor coins, silver certificates, and United States notes should be added to gold and gold certificates as part of the money that is lawful for reserves in Federal Reserve banks against their deposits.

**Item No. 10**—Congress should require of the United States Treasury and Department of War a detailed accounting of the issuance of, and liabilities for, Allied Military Currency.<sup>8</sup>

**Item No. 11**—The United States Senate should not revive nor extend the life of the Senate Special Silver Committee. This has been a pressure group operating constantly in behalf of silver mining interests, and its existence and operations have reflected badly upon the objectivity of Congress in matters affecting our monetary system and silver. All monetary questions should be assigned to the appropriate standing committees dealing with money or coinage.

#### SIGNED

Benjamin M. Anderson, University of California at Los Angeles (See footnote 9)

Charles C. Arbuthnot, Western Reserve University

William A. Berridge, Metropolitan Life Insurance Co., N. Y. C. (Second choice)

Ernest L. Bogart, New York City (Second choice)

Frederick A. Bradford, Lehigh University (See footnote 10)

Wilbur P. Calhoun, University of Cincinnati

William W. Cumberland, Ladenburg, Thalmann & Co., N. Y. C. (See footnote 11)

Rev. Bernard W. Dempsey, S.J., St. Louis University (Second choice)

D. W. Ellsworth, E. W. Axe & Co., Inc., Tarrytown, New York

William D. Ennis, Stevens Institute of Technology (Second choice. See footnote 12)

Fred R. Fairchild, Yale University (See footnotes 2, 11)

Charles C. Fichtner, Buffalo, New York (Subscribes to Items No. 1-8, 10, 11)

Roy L. Garis, University of Southern California (See footnotes 1, 6, 7)

Lewis H. Haney, New York University (See footnotes 13, 17)

E. C. Harwood, American Institute for Economic Research

Frederick C. Hicks, University of Cincinnati (See footnote 4)

John Thom Holdsworth, The University of Miami (See footnotes 6, 14)

Donald L. Kemmerer, University of Illinois (See footnotes 3, 6, 8)

William H. Kniffin, Bank of Rockville Centre Trust Co., Long Island (See footnote 15)

Frederick E. Lee, University of Illinois (Second choice. See footnote 16)

J. L. Leonard, University of Southern California

A. Wilfred May, The Commercial and Financial Chronicle, N.Y.C.

Roy W. McDonald, Donovan, Leisure, Newton, Lombard & Irvine, N. Y. C.

Clyde William Phelps, University of Southern California

Leland Rex Robinson, 2 West 45th Street, N. Y. C.

Olin Glenn Saxon, Yale University (See footnote 17)

Walter E. Spahr, New York University

James B. Trant, Louisiana State University

Rufus S. Tucker, Westfield, N. J. (See footnotes 3, 18)

Nathaniel R. Whitney, The Procter and Gamble Co., Cincinnati (See footnotes 1, 5, 17)

Max Winkler, College of the City of New York

Ivan Wright, Brooklyn College (See footnote 19)

Drs. Garis and Whitney suggest that there be only one gold coin—a \$35 piece equal to an ounce of fine gold.

Dr. Fairchild does not approve of requiring savings banks to be members of the F.D.I.C. "Their risks," he says, "are different from those of the commercial banks, the cost of belonging to the

F.D.I.C. is excessive, and many of them (as in Connecticut, for example) have their own insurance arrangements, which are as effective as, and far less expensive than, membership in the F.D.I.C."

Dr. Kemmerer would limit this requirement to banks having capital of more than \$500,000.

Dr. Tucker would prefer to substitute the phrase "holding deposits subject to check" for "carrying on commercial banking."

He explains: "It is conceivable that some financial institution might discount commercial paper without setting up deposits payable on demand; and, on the other hand, an institution whose liabilities consist, in part, of deposits payable on demand might not have among its assets any appreciable amount of commercial paper in the strict sense."

Dr. Hicks thinks the interest rate would be no inducement if people should become frightened and have various other reservations or queries regarding some statements in "Some basic considerations." He raises the question of whether the government should not simply revere the right to impound gold.

Dr. Whitney says that he sees "no reason for holding silver not merely because the Treasury cannot recoup costs" and therefore objects to the last fourteen words of the second paragraph under Item No. 5.

Drs. Garis, Holdsworth, and Kemmerer recommend that United States notes also be eliminated.

Dr. Garis thinks that the Treasury is much too slow in its retirement of Federal Reserve bank notes, national bank notes, and Treasury Notes of 1890, and that the retirement of these notes (and of United States notes) should be enforced by a specified date.

Drs. Bogart and Kemmerer think this recommendation unimportant and perhaps undesirable.

Dr. Anderson agrees with Program II in principle. He would like to have gold coin of five dollar denominations also minted, especially for Christmas use. He wants the people to be able to handle and use gold coin. He agrees with the reservations of Dr. Cumberland as set forth in footnote 11. He does not contemplate the necessity of suspending gold payments, once reestablished, so long as sound fiscal and money market policies are pursued. He emphasizes the importance of taking the public debt out of the hands of investors and putting it into the hands of investors at rates of interest which will attract investors' money, which would involve a simultaneous reduction in the volume of bank deposits and in the volume of money in circulation, as explained in his memorandum of May 10, 1945, on "Inflation Control and the Treasury's Borrowing Policy." This memorandum, with the unqualified endorsement of twenty-two members of this Committee and the endorsement with reservations by two of the members of the Committee, was presented to the Treasury and the Federal Reserve authorities in 1945, and was subsequently circulated as a Committee document. Dr. Anderson emphasizes that courage in paying gold is the one sure way to generate confidence in paper money.

Dr. Bradford says that, assuming that gold bullion redemption is not provided for in Program I, he favors Program II, but agrees with the views of Drs. Cumberland and Holdsworth regarding section [C] as set forth in footnotes 11 and 14 below. He also favors the elimination in both Programs I and II of United States notes and silver dollars and silver certificates.

Dr. Cumberland believes that while the proposed safeguards against gold hoarding and runs on banks, in sections [A], [B], [C] under "Some basic considerations," are technically sound he considers the likelihood of such occurrences so remote as to make the suggested legislation unnecessary. He thinks that "our present nondescript currency is a far more real and acute source of danger than any which might accompany the reestablishment of the gold standard." He also prefers to emphasize solvent fiscal and monetary policies on the part of government rather than "adequate fire escapes" for the reason that if government behaves itself" he does not "believe that a gold standard in any country can come under such serious pressure as to create panic." And "Conversely," he says, ". . . [he does] not believe that a gold standard currency can permanently stand up against unbalanced budgets. But this," he continues, "also applies to any other currency. In short, currency integrity and government financial responsibility are inseparable."

Dr. Cumberland does not think it important nor desirable to recommend that an effort be made to sell any Treasury silver at current prices or at cost. The matter of first importance, in his opinion, "is to get the gold standard re-established."

Dr. Cumberland states that he would also be willing to sign Program I, but considers Program II distinctly better.

Dr. Fairchild is inclined to agree with Dr. Cumberland as to the elaborate safeguards against hoarding "but would not make an issue of that."

Dr. Ennis recommends deletions in this program corresponding with those mentioned in footnote 12 of Program I.

Dr. Haney prefers the words "gold standard" to "gold-coin standard." He also concurs with Dr. Cumberland in those portions of his comment on the "fire escape."

Dr. Holdsworth is inclined to take much the same position as that of Dr. Cumberland in footnote 11. He points out that if the suggested precautions against possible gold hoarding are a

necessary prerequisite to the adoption of a gold-coin standard then he is "reluctantly compelled to vote for Program I." Otherwise, that is, if "this prerequisite" can be eliminated, . . . [his] vote would go for Program II."

Mr. Kniffin's opinion regarding the suggested precautions against possible gold hoarding appears to be substantially the same as those of Drs. Cumberland and Holdsworth. Mr. Kniffin states that he would subscribe to either Program I or II, but prefers the latter with the indicated query regarding it.

Dr. Lee would sign Program II as second choice provided the second item [B] were eliminated. He thinks that so long as the Board of Governors of the Federal Reserve System is politically appointed and politically dominated our dual system of banking with full freedom for state banks as to membership in the Federal Reserve System should be continued.

Dr. Saxon thinks it desirable that the gold clause in both commercial and financial contracts be made lawful by statute and that a Constitutional amendment be proposed to prevent any repetition in the future of the 1933 legislation which outlawed the gold clause in both existing and future contracts. He sees no hope of revival of world trade and finance on a stable basis until the gold clause is again legalized. Drs. Haney and Whitney concur in these views.

Dr. Tucker wishes to associate himself with Dr. Cumberland in his reservations in footnote 11 and adds: "I would go even further and state that, in my opinion, the hoarding of gold and its free export should be permitted as a means of enabling the public to express its disapproval of unwise and dishonest fiscal policies."

Dr. Wright signs with reservations on part of "Some basic considerations" in Item No. 1, and parts of Item No. 5. He would delete Item No. 10.

## Robert Bulkley With First Cleveland Corp.

CLEVELAND, OHIO—Robert E. Bulkley has become associated with The First Cleveland Corporation, National City Bank Building, members of the Cleveland Stock Exchange. Mr. Bulkley was formerly with Paine, Webber, Jackson & Curtis, in Detroit and prior thereto with A. C. Allyn & Co.

## Now Gross, Rogers & Co.

LOS ANGELES, CALIF.—The firm name of Gross, Van Court & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange, has been changed to Gross, Rogers & Co. Albert Van Court has withdrawn from the firm.

Officers of the new organization are: Nels Gross, President; L. L. Rogers and P. F. Jarvis, Vice-Presidents; C. G. Johnson, Vice-President and Treasurer; L. S. Sanders, Secretary; Edwin Hicks, Assistant Secretary and Assistant Treasurer; and C. B. Burnham and J. B. Rogers, Assistant Secretaries. H. Edwin Bayhi is trader for the firm.

## Wm. F. Thurmond Opens

NEW ORLEANS, LA.—William F. Thurmond is engaging in a securities business from offices at 4490 Lafayette Street. In the past he was active as an individual dealer in New Orleans.

## Now King, Olson, Surprise

ROCKFORD, ILL.—The firm name of King & Co. of Rockford, 321 West State Street, has been changed to King, Olson, Surprise & Co.

## G. E. Armstrong Dead

George E. Armstrong, widely known in political and financial circles in New York and Albany, died at his apartment in the Great Northern Hotel, at the age of 65.

He came to New York twenty years ago and was associated with Shields & Co. and later with Burr & Co.

## CIO's 'Mr. Rich' Beats Income Tax

(Continued from first page)  
appropriate, for only an infantile intelligence would be swayed by it. Certainly, no one with even a rudimentary knowledge of the tax law and of the Bureau's application of that law, would be fooled.

The villain in the piece, a certain Mr. Rich, presumably typifies rich men in general. The first thing we are told about him is that his income is "over \$236,000," but just how much over is not disclosed. Whether one is rich or not is always a relative matter, but an annual income of the stated amount classes our villain at once as one of a very small number of rich men. In 1944, the last year for which income tax data of any sort are available, there were only about 150,000 incomes of \$25,000 and over. Only about 1,400, or less than 10% of this number, were incomes of \$250,000 and over.

Anyway, there are a few persons who do have incomes of this size. The particular individual at the bar, after roughly figuring up his income tax, calls in his lawyers. This much, no doubt, is fact, not fiction. One does not need to be in the top surtax bracket to fall back on legal advice regarding the income tax. With Mr. Lasser's handy little book in the best seller class, it would appear that income tax advice is being avidly sought by the masses as well as by the classes.

From here on we seldom leave the realm of fantasy, and if Mr. Rich's lawyers really gave him the kind of advice they are represented as dishing out, they are highly eligible for disbarment. This advice is supposed to consist of a number of ways of taking deductions from income, with the result that Mr. Rich whittles his income tax down to a bare trifle. We are told, at the end, that his tax is at a 16% rate, but just what it is that the tax represents 16% of, is not explained. Since the net tax rate is 19% on the first dollar of taxable income, the comparison is evidently not with this base.

In the course of following the advice of counsel, Mr. Rich is supposed to do some very peculiar things. It is doubtful if the "mouthpieces" whose bad tax advice landed Al Capone and other bootleggers in Federal prison, would have proposed some of them. The author of this creed seeks industriously to build up the impression that a rich man can always call his own shots, hence he has only to claim a deduction and it will be allowed. The most casual inquiry among those, whether rich or poor, who have had to explain the details of their income tax returns to an examiner would have disabused his mind of this singular notion.

### "Dodges" Attributed to Mr. Rich

The first dodge attributed to Mr. Rich is the purchase of the apartment house in which he lives. Then, instead of paying rent, he takes a loss of \$4,000. In order to prove this loss, Mr. Rich would have to produce his records of operation; and if he actually did incur a loss it would be deductible. No dreamed-up loss would be allowed.

The apartment house deal, as a deal, could have happened, but Mr. Rich's lawyers chose an odd way for their client to save his rent. Real estate ownership and management is seldom free from headaches, what with rising taxes, increasing operating costs, strikes engineered by the CIO and other unions, and so on. Add to these regular sources of grief in the real estate business the rent ceilings and the other controls imposed by the OPA and we may consider Mr. Rich lucky to have held his loss on the apartment house investment to as little as \$4,000.

The next device introduced is for Mr. Rich to call his friends "business associates" and then deduct \$20,000 a year for entertaining and gifts as business expense. Since the income tax law does not define the term "business associate," Mr. Rich is free to give his own connotation to it. If his tax return contained any such amount as \$20,000 for entertainment as a business expense, the examiner would certainly be interested in the details and in their relation to the operation and promotion of the business against which the expense was to be charged. His scrutiny would be directed to screening out the legitimate business expense from the purely personal and social expense, if Mr. Rich were so foolish as to drag the latter into his tax return. The chances are strong that the entire amount would be disallowed if any doubt were to arise concerning the connection of the item with bona fide business promotion.

The next neat trick which is said to be available to Mr. Rich is the transfer of funds to a foundation. In the case under review it is The John Rich Economic Institute. The founder provides \$20,000 a year which is said to be deductible as a contribution. If Mr. Rich were to get away with all of the deductions which he is supposed to claim, he could not deduct the whole \$20,000 as a contribution, since this deduction is limited to 15% of the taxpayer's net income. But when we consider the activities of The John Rich Economic Institute, it becomes clear that no part of the contribution will be deductible. The purpose of this institute is to fight for anti-labor legislation. In section 23 (e) (2), it is provided that contributions to non-profit institutions are deductible if no substantial part of the institution's activity consists in carrying on propaganda or otherwise attempting to influence legislation. The sole activity of this particular institute is said to be the influencing of legislation through propaganda methods, hence the entire amount given in its support would be disallowed.

Another dodge which is said to be available to Mr. Rich is to borrow \$200,000 from his daughters, whereupon he can deduct their \$12,000 a year allowance as an interest expense. Conceivably, each of the daughters might have \$100,000 that she would be willing to lend to papa, and to do so would be a good stroke of business for the girls if he were willing to pay 6% interest, a rate considerably above the going rates of recent years. The obvious implication is, however, that the loans are phony, since the \$12,000 ostensibly deducted as interest expense is actually to be paid to the daughters as their allowances. If the girls are really in need of annual allowances, there is small likelihood that either has \$100,000 to lend to the old man.

Here again, the inventor of this fabrication did not trouble to look at the tax law or the regulations. Interest on indebtedness is deductible, but it is necessary to produce, or be able to produce, evidence that a debt actually exists on which the obligation to pay interest is a legal obligation of the taxpayer. No one can get away with a deduction of interest on a fictitious debt, that is, on indebtedness which does not exist. If Mr. Rich actually borrowed the \$200,000 and gave his notes or other evidences of debt for the amount, then he owes interest thereon. In this case he is not simply paying an allowance to his children. If the debt is a fiction, the claim for an interest deduction will be disallowed.

Mr. Rich, it appears, has a country estate. We are told that merely by calling this estate a "farm" he can deduct \$16,000 as a business loss. It is true that any

bona fide loss incurred in a transaction entered into for profit is deductible. From this standpoint, a farming loss is on the same footing as the apartment house loss. But it should have been perfectly clear to those who rigged up this CIO fantasy, as it is to all others who know anything at all about the income tax, that the loss must be an actual one, capable of proof by reference to books of account. Moreover, the law authorizes the Commissioner to determine whether or not the accounting methods used are such as will properly reflect the character of the operations and the results thereof.

If Mr. Rich's country place is a bona fide farm, and if losses are incurred, they are deductible. If, however, as the cartoon indicates, it is simply a mansion situated in a suitable decorative setting, it is not a farm and just calling it one will not suffice. Even planting potatoes in the front lawn will not suffice. In order that it may be classed as a bona fide farm, the farming operations must be sufficiently extensive to afford evidence of an intent to gain income from this pursuit. The regulations contain the following:<sup>2</sup>

"If a farm is operated for recreation or pleasure and not on a commercial basis, and if the expenses incurred in connection with the farm are in excess of the receipts therefrom, the entire receipts from the sale of products may be ignored in rendering a return of income, and the expenses incurred, being regarded as personal expenses, will not constitute allowable deductions."

The next deduction in the list is of minor importance, and probably legitimate. The caption reads: "He and his 'secretary' travel a lot so they need four cars. He can deduct \$2,500 a year as a business expense."

Two people cannot well use four cars in traveling, although some families may have that many. The tax law says that traveling expense while away from home in the pursuit of a trade business is deductible. The Regulations supplement this by adding that if the trip is undertaken for other than business purposes, the expense is not deductible. The amount claimed by Mr. Rich is only about 1% of his total income and it would no doubt be possible to defend all of this as a proper business expense.

### Making the Wife a "Private Secretary"

Now we come to an interesting scheme. Mr. Rich, we are told, can call his wife a "private secretary" and deduct her \$9,500 a year allowance as a business expense. He can call his home an "office" and deduct \$10,000 a year as a business expense.

Among the ordinary and necessary expenses of carrying on a trade or business that are deductible, the tax law mentions "a reasonable allowance for salaries or other compensation for personal services actually rendered." The Regulations state, by way of emanation, that the test of deductibility in the case of compensation payments is whether they are reasonable and are in fact payments purely for services.

We have here two tests, first, reasonableness, and second, actuality of service rendered. The Regulations explain that reasonable and true compensation is only such amount as would ordinarily be paid for like services by like enterprises under like circumstances.

In other words, what is the going rate for private secretaries? The payment to Mrs. Rich figures out at a weekly rate of \$182.58, which certainly puts her in the top flight

<sup>2</sup> Income Tax Regulations 111, Section 29.23(e)-11.

of this class of employees. But even if the rate of pay be held to be reasonable, there is still another test to meet, that of actually performing services. We are told that the payment was simply her allowance, which implies that no service was performed by the lady in the bona fide capacity of a private secretary. In view of the amount claimed, an examiner would no doubt have to be shown conclusively that enough service of a secretarial nature was being performed to warrant the claim. The implication is that the title and the service are alike fictitious, and the deduction would be disallowed.

Then Mr. Rich calls his home an "office," whereupon he is supposed to take off another \$10,000. This Mr. Rich, it will be recalled, lives in an apartment house which he bought in order to save paying rent. His apartment is now to become an "office." Neither the law nor the regulations make specific reference to the deductibility of home or household expenses in a case where the home is used as an office by a business man. A parallel case, that of the professional man, is discussed in the Regulations, and it would appear to have a bearing on the use of a residence for business office purposes as well as for professional purposes. The pertinent passage is as follows:<sup>3</sup>

"In the case of a professional man who rents a property for residential purposes, but incidentally receives clients, patients, or callers there in connection with his professional work (his place of business being elsewhere) no part of the rent is deductible as a business expense. If, however, he uses part of the house as his office, such portion of the rent as is properly attributable to such office is deductible."

We are given to understand that Mr. Rich did not actually convert his home into an office, and transferred to it all of his office equipment of desks, files, typewriters, and clerical help. He merely called it his office. This puts the office deduction beyond the pale, like so many of the others.

### Taxes on Pensions

When Mr. Rich comes to the age of retirement from active business we are told that he is to get a pension of \$25,000 a year, on which he is to pay no income tax. Nor has he had to pay a tax on the amounts contributed by corporations toward this annuity. The general rule is this: an employer may contribute toward an employee's annuity, under a plan whereby an employer's contribution is deductible, in which case the payments to the employee must be reported by him as income for the years in which they were received. If the employer purchases an annuity contract under a plan whereby his contribution is not deductible, the amount of such contribution shall be included in the income of the employee in the taxable year in which the contribution is made, if the employee's rights under the contract are non-forfeitable at the time the contribution was made except for failure to pay future premiums. Various qualifying limitations and conditions are set out in the law and the regulations. The gist of the matter is that the pension payment is taxable to the employee. Under one condition it is taxable to him when received, and under another condition it is taxable to him when made by the employer. There is nothing in the law to support the suggestion that Mr. Rich will not be required, at one time or another, to include his pension in gross income.

Those who make unprovable statements in derogation of the character of others are subject to suits for the recovery of appropriate damages. On this basis, the Bureau has good ground for a libel suit against the CIO, for the representations made are a libelous attack upon the honesty of the income tax examiners and upon the integrity of the Bureau itself.

was the travel expense of \$2,500, much of which could probably be justified. This second item is tax-exempt interest, received on state bonds. The CIO wants to make all income fully taxable regardless of its source.

It is true that some of the state and local bonds are held by the well-to-do and the rich. Their preference for this class of investment is not so strong as the CIO and other opponents of the tax immunity rule try to make out. In a survey of estate tax returns made in 1945, it was found that capital stock constituted an increasing proportion of net estate as the estate grew larger.<sup>4</sup> This means that as personal fortunes grow in size, relatively more is invested in business securities. Hence, relatively less remains to be invested in tax-exempt bonds and other forms of property.

The reciprocal immunity of Federal and state agencies and instrumentalities from taxation is much older than the Federal income tax. It was not just invented to provide a tax loophole. Rather, it has long been recognized as a fundamental bulwark which protects the Federal government as well as the state government against tax encroachment by the other.

We need also, at this point, to consider the case of Johnny Poor, whose tax burden was said to have been made heavier by numerous state taxes. These taxes would be still heavier if the states and their subdivisions had to issue bonds that are subject to Federal taxes. In buying state bonds which carry a very low coupon rate because they are not subject to Federal income tax, Mr. Rich is contributing somewhat to the lightening of the local taxes which the Johnny Poors would otherwise have to pay.

If we appraise this broadside as a whole, it appears that, except for the tax-exempt interest and the possibility of a correct travel expense account, the whole thing is a bundle of misrepresentation. It is a phony interpretation of the tax law. The CIO has an unusual opportunity to educate its members, since they are prepared to listen to teaching from this source when they would suspect the same doctrine if it came from another source. Then why not do an honest job of educating, instead of a dishonest one? Even the CIO's own lawyers know that the fake claims set up in the piece under review would not stand up for an instant. If labor organizations want to keep the respect of their own members, to say nothing of the respect of others, they must be honest and fair. Only a very short-sighted policy can justify the kind of lying that is done in this dissertation. It can hold members and inflame them for a time, but too many wage earners are buying the Lasser book and other low-priced, competent commentaries on the income tax law for the long-run comfort of those who tell obvious lies about how the income tax works.

Among the ordinary and necessary expenses of carrying on a trade or business that are deductible, the tax law mentions "a reasonable allowance for salaries or other compensation for personal services actually rendered." The Regulations state, by way of emanation, that the test of deductibility in the case of compensation payments is whether they are reasonable and are in fact payments purely for services.

Those who make unprovable statements in derogation of the character of others are subject to suits for the recovery of appropriate damages. On this basis, the Bureau has good ground for a libel suit against the CIO, for the representations made are a libelous attack upon the honesty of the income tax examiners and upon the integrity of the Bureau itself.

<sup>4</sup> The Committee on Postwar Tax Policy, *A Tax Program for a Solvent America*, 1945, Chapter V, especially pages 77-81.

**With John R. Kauffmann**  
*(Special to THE COMMERCIAL & FINANCIAL CHRONICLE)*  
ST. LOUIS, MO. — Joseph L. Hummert is with John R. Kauffmann & Co., 511 Locust Street, members of the St. Louis Stock Exchange.

<sup>3</sup> Income Tax Regulations 111, Section 29.24-1.

## England Today

(Continued from page 1246)

have it limited. We hope therefore, as our Prime Minister has already indicated, that India and Burma as they become free, will freely and voluntarily decide to stay in the closest association with this organization of free and sovereign people which we call the British Commonwealth. We have good reasons for so hoping—Canada, South Africa, Australia, New Zealand—these are all free and sovereign. Let no one imagine that, and let no decent person say so, we have taken these decisions upon India, Burma and the three non-self-governing African territories, because as a Labor Government and as the British people this was our declared policy and because we felt we had an inescapable moral obligation to do these things. That is the reason and there is no other valid or relevant one, and Mr. Chairman it is here in the United States of America, above almost all places in the globe, that I expect this reason to be understood.

### Freedom to India

I remember when I first came here as a student 15 years ago that Britain was attacked because Imperialist Britain, as we were then called, was not giving India its freedom. It is therefore a bit idle and rather ungracious to be worried because Britain now takes the step which has so long been urged upon us. They remain with us inside this strange and peculiarly British association of free peoples for whom neither apology nor explanation need be offered.

### Foreign and Domestic Conditions

But when I affirm that these decisions are taken voluntarily I must also admit that at present we are forced to take decisions affecting our foreign policy which are directly related to our home economic conditions.

On this subject, Mr. Chairman, I am in difficulty. I want neither to whine nor to brag about our difficulties, neither to exaggerate them nor to minimize them, and this I find hard to handle. Perhaps I can give an example. This afternoon I received a cable from my wife. Now about what did she cable me? The parliamentary situation? Some new idea for introduction to Lake Success? Not at all. She just says "coal and coke arrived today. Much love. Sheila."

Now, my wife I assure you, although married to a politician, is a balanced creature. Why then does she cable me in this strange fashion? Because I left her with a small infant, a fair-sized house, no maid, no coke, no coal and a hard frost. There is a black-out. There was no heat in our homes and in our offices. The streets were blacked out. Many factories were at a standstill. Food was difficult. We were under siege. Britain was back in the atmosphere of bombs and blitz. And, you know, I felt guilty being out here just as we used to feel guilty and frustrated to be away from London while a raid was on. The people of Britain were fighting then. They've been fighting again these last few weeks, and everyone who knows them wants to be in there fighting with them. It was because of this feeling of emergency that my wife sent me the cable. But get this plain. Nobody believed in 1940 we were being beaten—except the creatures who were bombing us. And nobody who knows us thinks that there is the remotest chance of our being beaten now. The British people have a fight on their hands. They know that, and they know also that it is a continuation or an extension of the battle they took on in Sept. 1939.

### Overcoming Present Emergency

Because that is the story. During the war, Britain, as you know,

practically stripped itself of overseas investments. Before the war out of every pound sterling we spent on ourselves about nine shillings came from the jobs and the investments we had overseas. Well, to beat Hitler we sold all our investments and we turned all our people to fighting the war. We registered for national service every boy and man from the age of 17 to 65; at the end we registered every woman, married, widowed and single up to the age of 45, we turned over every machine we had and those which you gave us to this one job—beating Hitler and the Japanese. Well, you know, that does something to a country. We threw away our trade, we spent pretty well everything that as a country we had saved. We did more than that. We achieved the distinction of becoming more in the red than any nation ever has been. Should we apologize for this? Not for a moment. Our poverty, our debt, is the badge of our freedom.

But the road back to solvency, back to the standard of living to which our people are entitled, back to the point where we can carry our full cash contribution to helping the nations who fought also for freedom, who suffered even more than we did—like Greece and Soviet Russia—it's a hard road and our people know it.

### The Road Back to Solvency

The length of the road and the speed of recovery is not completely within the power of the British people. The basic requirements are British brains and British guts. We have these in abundance. But the recovery of Britain, the standard of life of our people, like the standard of life of the people of the United States is related to the standards of Europe, of Asia and of the Far East. The American people with customary generosity and foresight have already admitted that axiom. Their great contribution to UNRRA, the appropriations now before Congress are testimonies to that. Permit me to say that even in our straightened circumstances we too have recognized that and at a time when everyone in the country earning more than \$650 a year is liable to pay income tax, we have made our contributions to every international relief and rehabilitation Fund. Our economic interdependence is recognized too, in the general great international structures which we are operating under the umbrella of the United Nations. We must all hold fast for our own safeties as well as for world safeties to that admission of interdependence. A hungry world is a dangerous world. Prosperity like peace is indivisible.

We would indeed appreciate your advice with respect to the foregoing in order that our members may be advised accordingly.

Respectfully yours,  
(Signed)

**FRANCIS KERNAN,**  
Chairman,  
District No. 13 Committee  
New York City  
March 3, 1947

### Attorney General Goldstein's Reply to Mr. Kernan:

My dear Mr. Kernan:

Thank you for your letter of March 3, 1947, requesting information with regard to the questionnaire circulated by me amongst Upstate over-the-counter dealers. I am glad to cooperate with you as I have with such others as have inquired about this same matter. The circulation of the questionnaire is but a routine affair with the purpose of furnishing us with data from these dealers which is already known to us about our New York City dealers. Much of the questions deal with facts periodically gathered in similar fashion by your organization as well as by the Securities & Exchange Commission. I am charged with a similar responsibility and you can readily understand my need to be familiar with the same facts.

Before proceeding to answer the points raised in your letter, I should like to point out that the use of this type of questionnaire is well established in the history of the enforcement of the Martin

Act. In 1927, Hon. Albert Ottinger, then Attorney General of the State of New York, employed this means to gather data about investment trusts, as a result of which he published his report on this industry entitled, "A Survey of the Activities and Forms of Investment Trust with Recommendations for Statutory Regulation by the New York State Department of Law." Subsequently in 1931 the study of investment trust was continued by Hon. John J. Bennett, Jr., Attorney General at that time, with a new questionnaire, much more comprehensive in nature and circulated in the same way amongst more than 300 organizations engaged in that industry.

The use of a questionnaire to determine facts about the security business or of a portion thereof is therefore well grounded in precedent established not only in my administration but in those of my predecessors as well. It is also well founded by law.

The last few phrases of Sec. 352 read as follows:

" \* \* \* or he (meaning the Attorney General) believes it to be in the public interest that an investigation be made, he may in his discretion either require or permit such person, partnership, corporation, company, trust or association to file with him a statement in writing under oath or otherwise as to all the facts and circumstances concerning the subject matter which he believes it is to the public interest to investigate and for that purpose may prescribe forms upon which such statements shall be made. The Attorney General may also require such other data and information as he may deem relevant and may make such special and independent investigations as he may deem necessary in connection with this matter."

I believe it to be in the public interest that the Attorney General be aware of the financial condition of the security dealers who come under his jurisdiction by virtue of the Martin Act. It is also in the public interest that the Attorney General be fully aware of the type of business conducted by the individual dealers, their trade practices and the type of literature they use in soliciting the public to buy securities. Not only is it in the public interest that he should be aware of such things, but he would be derelict in the conduct of his office if he did not inform himself thereof and maintain his files currently as to the developments in the trade. The use of the questionnaire to obtain such data is desirable not only from the point of view that it is economical to the State of New York, but it also avoids the annoyance and the disturbance in the security industry that periodic inspection of dealer's books and records would cause.

I appreciate the interest of the National Association of Security Dealers in this matter as I am familiar with the worthy purposes of your organization and in the able method in which you are policing your membership. The office of the Attorney General, however, is concerned with the entire security industry in the State of New York which, as you know, includes security dealers who are not members of your organization. I will, therefore,

answer your questions with the understanding that the same treatment be accorded to non-members of your organization as well as to your members.

(1) I wish it definitely understood that the fact that the questionnaire was accompanied by a subpoena is no implication of fraud on the part of any of its recipients. The purpose of the questionnaire was to gather information quickly and expeditiously about security dealers operating in the territory North of New York City so that it would be on file for future reference and for such other purposes that the questionnaire might disclose. The use of a subpoena in this connection, however, is quite usual in this office where we assume a judicial attitude with regard to complaints. The fact that a subpoena has been issued in this case or in any other case is not an implication or a charge of fraud. It is merely a method to obtain the necessary information pursuant to the Statute.

(2) This office will entertain any reasonable request for an adjournment of time in which the questionnaire is returnable. In the event that any dealer requires additional time in which to submit his questionnaire, an extension will be granted to him upon a request in writing to this office.

(3) Our office will be glad to consider any request for information in further explanation of the wording of the questionnaire. It may be that in isolated instances a literal answer to the questions may be burdensome. If the dealer feels that it be so, explanation of his situation will receive our immediate consideration.

I note your observation with regard to the filing of earning statements and lists of customers. We have found that considerable information can be obtained from an analysis of this type of data and it always has been helpful to us to obtain such information in the past. I feel that in the absence of situations making the furnishing of such information unduly burdensome that we should still require the earning statement as well as the names of customers who have margin accounts. You, of course, realize that under Sec. 352 of the General Business Law all information furnished us is confidential and the divulgence of such information by any person conducting such inquiry without my direction to do so constitutes a misdemeanor.

I appreciate your calling these difficulties to our attention and am glad to assist your organization in their solution.

Very truly yours,

(Signed)  
**NATHANIEL L. GOLDSTEIN,**  
Attorney General  
Albany, N. Y.  
March 3, 1947

Despite the plea of Attorney General Goldstein that he is authorized by statute to demand the information given under oath requested in the questionnaire, the "Chronicle" still adheres to its position that failure to specify the subject of the inquiry renders the proceeding illegal and defective and that it is a wholesale inquisition and a calumny against the securities industry. The "Chronicle" will expound its position further in the March 13, issue.

### With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)  
CHICAGO, ILL.—John T. Blodom, Jr. has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

### With L. A. Huey Co.

(Special to THE FINANCIAL CHRONICLE)  
OMAHA, NEB.—C. Gordon Saffer has become affiliated with L. A. Huey Co., Omaha National Bank Building.

## **Tomorrow's Markets**

### **Walter Whyte Says—**

By WALTER WHYTE

Dullness after decline not bullish on near-term future. Comfortable side lines should not be abandoned.

The ink was hardly dry on last week's column, in fact the column wasn't even in print, when the market spilled over into one of first breaks it has seen since its recovery from the break down to 170.

That the reaction appeared was no surprise. The market had signaled it for the past few weeks. It was only a question of time when it would occur. Boiled down it was a question of when rather than what. Now that the market has sold off the usual questions have cropped up. The most common is the one seeking a reason; the next is to ask how far down it will go and when it will be time to buy stocks. At least these are the questions various customer's men ask me and I assume these are the questions their customers ask them.

To answer these questions I would have to be some sort of an oracle. I'm not an oracle and just between ourselves I don't have any idea what the answers are. I realize this sounds like I'm shifting the responsibility but the market, which in the final analysis will give the real answer, doesn't give me any more definite clue. The inability of a market to advance after a long stretch of time usually means that the market will go down. It did go down and that was that.

Market action up to Monday night, when this is being written, shows more of the same, that is more down. Anything beyond that will have to come in the realm of wishful thinking. I would like very much to see prices turn around and go up. My desire is purely selfish. It is a lot easier to write about cheerful things than doleful ones. In addition, most people are

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basically bullish and prefer to read something which sustains their beliefs. The pessimist is usually alone and is shunned by the majority. And, anyway, it is too difficult to go short of them, and that was one of the reasons I didn't suggest selling them, even though there couldn't be any doubt of my bearishness during the past few weeks.

One of the underlying reasons for the decline is, paradoxically enough, the current sharp rise in various commodities. Explanation is that this rise in commodities will have a harmful effect on the buying power of the public. With buying power already cut due to price rise, this new rise will make it that much more difficult to find the money with which to buy the so-called heavy products like cars, washing machines, etc.

Of course this may be a lot of poppycock. I just threw it in as a thought. Usually when I reach for them I get my hands slapped. I probably will this time. For actually the only thing I know about this market is that it is not acting well, and hasn't acted well for the past few weeks. The rest of it is dream stuff.

Whether the market will go down still further, or steady itself and go on up from here, only time will tell. Right now the market is saying it is not through on the downside. But markets like women don't make irrevocable decisions. One day's action is sufficient in itself, but only for that day. Action on subsequent days may cancel everything.

You still hold two stocks, Anaconda and Dresser Industries. I'm a little tired of referring to these. It seems we've held them forever. In any case we've held them for longer than I recall holding any other stocks. Anaconda was bought at 37 with a stop at that same price. Dresser came in at 17 with a stop at 18. If by next week these stocks haven't improved their action to the point where they are better than that of the market, I shall probably ask you to get rid of them.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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## **F. A. Truslow Takes Office as Curb Pres.**

Francis Adams Truslow, New York attorney, well known for his wartime accomplishments in the service of the United States Government, on March 3 took office as the President of the New York Curb Exchange.

Mr. Truslow assumes his new duties in the chief executive position of the country's second largest security market at the age of 40. He has relinquished his responsibilities as a partner in the New York law firm of Reed, Truslow, Crane & deGive and will devote his full time to the affairs of the Curb Exchange.

The election of Mr. Truslow to the Curb presidency for a three-year term last December followed extended efforts by a special committee of exchange members to find a man qualified in all respects for the position. His ability as an administrator was underscored by his eminently successful prosecution of the government's rubber procurement and conservation program during the recent war.

Edward C. Werle, recently elected Chairman of the Board of Governors for the next year, has also been serving as Curb President pro tem since the retirement last month of Edwin Posner, Chairman and President pro tem from 1945 to 1947.

Inauguration of Mr. Truslow marks only the second time that the Curb Exchange has selected a paid president from outside the ranks of its own membership to fill the position on a full time basis. From April 1939 to June 1942, George P. Rea occupied the office.

Commenting March 2, on the installation of the new president, Mr. Werle said, "When Mr. Truslow takes over his duties, it is the general feeling that his action will signal the advent of a new era in the history of the New York Curb Exchange. I speak for the entire membership when I state that his selection has met with unanimously enthusiastic approval. Reaction to his appointment outside the exchange has been equally enthusiastic."

"It is widely agreed among our members that it will be a fine thing for the Curb to have a man of Mr. Truslow's caliber giving his entire energies to the administration of exchange affairs. Mr. Truslow, who has the confidence and personal friendship of many of the members and the staff through past association as exchange counsel, will have the complete and active cooperation of the exchange from the outset. We welcome him sincerely as President of the Curb Exchange."

Far from being a stranger to the securities business in general or to the functions and operations of security markets in particular, Mr. Truslow is very much at home



Francis A. Truslow

in the business of the New York Curb Exchange. Since 1934, when the Securities and Exchange Act became law, he has been closely associated with the legal aspects of its operation. He participated actively on behalf of the Curb with the Securities and Exchange Commission and the Federal Reserve Board in the development of regulations and procedures under the 1934 Act.

In accepting the Curb presidency, Mr. Truslow made the following statement: "In assuming these duties, I have very much in mind that the services which are performed for our nation by the New York Curb Exchange are essential to the economic system under which we have the good fortune and the good sense to live. I look at this work as an opportunity to contribute to the sound development of these essential services, and thus to contribute to the strengthening of an economic system which has given to us, and will give to our children, a degree of individual freedom unequalled anywhere else in the world."

## **Sprout Reports Bank Earnings Drop in 1946**

(Continued from page 1259)

payments on a larger volume of time deposits. Thereafter, until the close of 1945, net profits of all groups of banks rose steadily, though gains were largest in the smaller banks as a result of their higher percentage gains in deposits and in government security holdings. The subsequent postwar trends in earning assets (redemptions of government securities with the proceeds of War Loan deposit withdrawals and a rapid shrinkage in loans on government securities, which in some cases more than offset the growth in business, consumer and other loans) adversely affected earnings of the large New York City banks. Gross operating earnings of the large New York City banks rose only about one-third as much in 1946 as those of the other banks in the District. Also, proportionately greater declines occurred at the large New York City banks in the volume of profits realized on sales of securities. Moreover, these banks made more substantial adjustments in wages and salaries, and their total operating expenses took a larger percentage of their current earnings than in 1945.

Regarding salary and wage cost Mr. Sprout reported that a comparison of individual bank reports indicated that practically all member banks in the Second Federal Reserve District had higher salary expenditures during 1946. These increases reflect both an enlarged volume of employment and higher salary rates, and, on the average approximated the percentage growth in gross earnings. For all member banks the proportion of salaries and wages to gross income (Item 15) equaled 28.2% in 1946 compared with 28.4% in 1945 though in the large New York City banks, the ratio rose from 29.9% to 34.5%. The smaller New York City banks and the largest banks outside New York City showed small increases in this ratio, but most other groups of banks recorded small declines.

Mr. Sprout stated that the conservative policy of member banks with respect to dividend payments continued during 1946. Nevertheless, there was a tendency toward increased payments, and of the 798 member banks included in the compilation, 46% increased payments while 41% maintained the same level as a year ago, and the remainder, or 13%, decreased payments. Reduced payments in

many cases resulted from retirement of preferred stock and thus cannot be construed as indicative of a change in dividend policy. Relative to average capital funds, dividend payments equaled 2.2% against 2.1% a year ago, and on the average amounted to only one-fifth of net profits. In the large New York City banks, dividend payments relative to capital funds remained unchanged, but transfers to surplus accounts were reduced considerably.

## **Export-Import Credit to Vulcan Iron Works**

William McC. Martin, Jr., Chairman of the board of directors of the Export-Import Bank, announced on Feb. 28 that the Bank has approved an application from the Vulcan Iron Works of Wilkes-Barre, Pa., for a credit of \$4,905,000 to finance, in participation with Vulcan Iron Works, the sale of 62 locomotives purchased by the Turkish State Railways at a total cost of \$7,130,000. The credit was negotiated with the Bank by Benjamin S. Dowd, President of the Vulcan Iron Works, says the announcement from the Bank, which added:

"Mr. Martin pointed out that this is the first credit to be approved under the commitment made by the Bank to the Government of Turkey in July of last year to set aside \$25 million for participation by the Bank in credits to be extended, on application of United States suppliers, to assist in financing exports to Turkey."

"The present credit, to assist in financing the export of locomotives to Turkey, represents approximately 80% of the contract value of the locomotives after allowance for a cash down payment. Advances under the credit are to be repaid in 21 equal payments beginning April 1, 1947, and ending Dec. 1, 1953, and will bear interest at the rate of 3 1/2% per annum. The obligations of the Turkish State Railways are to be fully guaranteed by the Turkish Government."

## **Govt. Credit Agencies To Be Surveyed**

The chairman of the House Banking Committee, Representative Jesse P. Wolcott (R-Mich.) revealed on Feb. 26 that Congressional hearings on extending the lending powers of the Reconstruction Finance Corporation beyond June 30 will include a complete survey of Governmental creation and control of credit and of the various agencies carrying on these functions. Besides the RFC, the institutions which are to be surveyed, according to Washington advices to the New York "Herald Tribune," are the Federal Reserve System, Commodity Credit Corporation, the Export-Import Bank, and other agencies. All types of credits will come under the committee's scrutiny, Mr. Wolcott stated, including controls on consumer credit, inter-bank deposits and margins on stocks.

## **To Resume Service On Peruvian Bonds**

Foreign Bondholders Protective Council, Inc. on March 3 was informed that legislation was passed by both houses of the Peruvian Congress on Feb. 28, 1947, which would authorize the Executive authority of the Peruvian Government to resume service on the defaulted dollar and sterling bonds issued or guaranteed by the National Government. Until the Council has had time to give further consideration to the legislation, no comment is being made by the Council with respect thereto.

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# Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

## Acme Electric Corp., Cuba, N. Y.

June 26 filed 132,740 shares (\$1 par) common stock. Underwriters—Herrick, Waddell & Co., Inc., and First Colony Corp. Offering—To be offered publicly at \$5 a share. Proceeds—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of \$200. Of the net proceeds (\$292,940) \$50,000 will be used to pay current bank loans; about \$20,000 will be used for machinery and equipment, and the remainder for working capital.

## Air-Borne Cargo Lines, Inc., New York

Feb. 14 (letter of notification) 214,890 shares (\$1 par) common. Being offered for subscription to stockholders of record Feb. 20 at \$1 a share. Rights expire 3 p.m. (EST.) March 11. Unsubscribed shares will be offered to the public through Greenfield, Lax & Co., Inc., New York. For reduction of current obligations and for working capital.

## American Broadcasting Co., Inc., N. Y.

June 27 filed 950,000 shares (\$1 par) common stock. Underwriter—Dillon, Read & Co. Inc., New York. Offering—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. Proceeds—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

## American Colortype Co., Clifton, N. J.

Aug. 12 filed 30,000 shares (\$100 par) cumulative preferred stock. Underwriter—White, Weld & Co. Price by amendment. Proceeds—Net proceeds initially will be added to general funds, however, the company anticipates it will use the funds for its building and expansion program. Offering date indefinite.

## American Iron & Machine Works Co., Oklahoma City, Okla. (3/24-28)

Feb. 24, filed \$1,000,000 of 4% sinking fund debentures, due 1967; 25,000 shares (no par) \$1.10 cumulative preferred and 60,000 shares (no par) common. Underwriters—Rauscher, Pierce & Co., Inc., Dallas, and Milton R. Underwood & Co., Houston, Texas. Price—Debentures will be offered at 100 while price of the preferred and common stocks will be supplied by amendment. Proceeds—To pay \$712,500 balance on a bank loan, retirement of \$850,000 promissory notes, and provide working capital. Business—Manufacture, sale and rental of material and equipment used in drilling and equipping oil and gas wells.

## American Locomotive Co., New York

July 18 filed 100,000 shares each of \$100 par prior preferred stock and \$100 par convertible second preferred stock. Underwriting—Union Securities Corp., New York. Price by amendment. Proceeds—Net proceeds, with other funds, will be used to redeem \$20,000,000 of 7% cumulative preferred stock at \$115 a share plus accrued dividends. Indefinitely postponed.

## American Potash & Chemical Corp., Los Angeles (3/18/19)

Feb. 27 filed 70,000 shares (no par) cumulative preferred, series A. Underwriters—Kuhn, Loeb & Co.; Lehman Brothers; Glore, Forgan & Co., and A. G. Becker & Co., Inc. Price by amendment. Proceeds—For construction of addition to the company's power plant, estimated at \$2,000,000; and for construction of new soda ash and borax plant, estimated at \$3,850,000. Business—Production of heavy chemicals.

## American Telephone & Telegraph Co. (3/25)

Feb. 26, filed \$200,000,000 35-year debentures due April 1, 1982. Underwriters—To be determined by competitive bidding. Probable bidders include Morgan Stanley & Co.; The First Boston Corp., and Halsey, Stuart & Co. Inc. (jointly). Interest—Coupon rate will be determined by the successful bid. Proceeds—Proceeds will be applied for additions and improvements to the company's plant and plants of its subsidiaries and for general corporate purposes. The registration states that upon ap-

proval by the New York P. S. Commission of its application to increase its authorized shares to 35,000,000, company will proceed with an offering of capital stock under its employees' stock plan under which a maximum of 2,800,000 shares may be sold on an instalment basis. Officers are not eligible to participate under the plan. Bids—Company intends to invite sealed bids for the purchase of the new issue as a whole, to be received by 11:30 a.m., March 25, 1947, at Room 2315 of the company offices, 195 Broadway, New York City.

## American Water Works Co., Inc., N. Y.

March 30 filed 2,343,105 shares of common (par \$5) plus an additional number determinable only after the results of competitive bidding are known. Underwriters—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (jointly). Offering—Price to public by amendment. The SEC has approved the amendments filed Jan. 23 to company's recapitalization plan as suggested by the Commission. These provide for escrowing the sum of \$2,200,000 to cover the call premium on the preferred stock; increase in terms to Community Water Service Co. and Ohio Cities Water Corp. preferred stock to \$180 and \$159 a share, respectively, plus accrued dividends at 7% annually from Nov. 1, 1945, compared with \$135 and \$120 a share offered in the original plan; and the issuance of one share of common stock of the new Water Works Holding Co. for each 20 common shares of community outstanding. The U. S. District Court at Wilmington, Del. will hold hearings March 19 on issuing orders to enforce the plan.

## American Zinc, Lead & Smelting Co., St. Louis

Sept. 6 filed 336,550 shares common stock (par \$1). Underwriting—No underwriting. Offering—Stock will be offered for subscription to common stockholders in the ratio of one additional share for each two shares held. Unsubscribed shares will be offered for subscription to officers and directors of the company. Price—By amendment. Proceeds—Working capital. Offering indefinitely postponed.

## Anglo Saxon Mines, Inc., Georgetown, Colo.

Feb. 24 (letter of notification) \$50,000 of treasury shares. Price—20 cents a share. No underwriting. For mine development.

## Arkansas Western Gas Co.

June 5 filed 16,197 shares of common stock (par \$5). Underwriters—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. Offering—Stock will be offered to the public. Price by amendment. Shares are being sold by six stockholders.

## Armour and Co., Chicago

July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par \$5). Underwriter—Kuhn, Loeb & Co., New York. Offering—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,998 shares of \$6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of \$6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. Price—Public offering prices by amendment. Proceeds—Net proceeds will be used to retire all unexchanged shares of \$6 prior stock and to redeem its outstanding 7% preferred stock.

George Eastwood, President, in letter to stockholders, Dec. 22 said "we have come to the conclusion it will not be necessary to issue any additional shares of common stock" as part of company's refinancing plan.

## Arcraft Hosiery Co., Philadelphia

Sept. 27 filed 53,648 shares (\$25 par) 4 1/2% cumulative convertible preferred and 150,000 shares (\$1 par) common. It also covers shares of common reserved for issuance upon conversion of preferred. Underwriter—New-

burger & Hano, Philadelphia. Price—\$25.50 a preferred share and \$12 a common share. Proceeds—Company will receive proceeds from the sale of all of the preferred and 100,000 shares of common. The remaining 50,000 shares of common are being sold by three stockholders. Estimated net proceeds of \$2,300,000 will be used by the company to pay off bank notes of about \$1,100,000 and to purchase additional machinery and equipment in the amount of \$1,200,000. Offering date indefinite.

## Automatic Firing Corp., St. Louis, Mo.

March 3 filed 25,000 shares (\$10 par) 6% cumulative preferred, 25,000 shares (\$1 par) class A common and 100,000 shares (\$1 par) class B common. Underwriter—G. H. Walker & Co., St. Louis. Price—\$11.25 for preferred share, \$2.90 for class A common, and \$3 for class B common. Proceeds—Preferred and class A common shares are being sold by company while class B common shares are being sold by five stockholders. Estimated net proceeds of \$303,524 to the company will be used to increase working capital and to pay off short-term bank loans. Business—Assembly of coal stokers, automatic gas and oil burners.

## Bachmann Uxbridge Worsted Corp.

Nov. 27 filed 45,000 shares of 4% preferred stock (par \$100) and 200,000 shares of common stock (par \$1). Underwriters—Kidder, Peabody & Co. and Bear, Stearns & Co. Proceeds—Will go to selling stockholders. Price by amendment. Offering date indefinite.

## Barcalo Manufacturing Co., Buffalo

Feb. 10 (letter of notification) 33,333 shares of common stock (par \$833). Underwriters—Schoellkopf, Hutton & Pomeroy, Inc., and Hamlin & Lunt. Stockholders have prior right to subscribe for the stock. Rights expire March 10. Price—\$8.75 per share. Proceeds for general corporate purposes.

## Beaunit Mills, Inc., New York

Sept. 27 filed 180,000 shares (\$2.50 par) common. Underwriter—White, Weld & Co., New York. Price—By amendment. Proceeds—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40,000 shares are being sold by I. Rogosin, President of Beaunit Mills, Inc.

## Berbiglia, Inc., Kansas City, Mo.

Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible \$6 par preferred. Offering price, \$6 a share. Underwriter—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

## Berkey & Gay Furniture Co., Grand Rapids, Mich.

Feb. 3 filed 733,575 shares (\$1 par) capital stock. Underwriting—None. Offering—Company said all of the shares are issued and outstanding. The purpose of the registration statement is to enable holders to effect sales by use of the prospectus.

Berkey & Gay said the shares had been sold in 1944 and 1945 to a group of about 50 persons who represented they were purchasing the shares for investment and not for distribution.

So far, 231,204 shares have been sold in the open market and the Commission had raised the question as to whether such sales had the effect of making the entire offering public. The Commission staff stated that registration is required if any of the remaining 733,575 shares are to be sold. Price—at market. Proceeds—Go to selling stockholders.

## Blumenthal (Sidney) & Co. Inc., New York

Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. Underwriting—None. Proceeds—For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at \$10 per share, company on Sept. 20 decided to withhold action.

(Continued on page 1286)

## Corporate and Public Financing



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**NEW ISSUE CALENDAR**

(Showing probable date of offering)

**March 6, 1947**

Chesapeake &amp; Ohio Ry. Equip. Trust Cts.

**March 7, 1947**Doman Frasier Helicopters, Inc. Common  
High Vacuum Processes Inc. Pfd. and Common  
Universal Winding Co. Preferred  
Wrisley (Allen B.) Co. Common and Pfd.**March 10, 1947**Carlat Custodial Corp. and Capital Stock  
Carlat Development Corp. Common  
Doman Frasier Helicopters, Inc. Common  
Hartford Heat Treating Corp. Pfd. and Common  
Mountain States Power Co.  
10:30 a.m. (CST) Common  
Northern Indiana Public Service Co.  
11 a.m. (EST) Common**March 11, 1947**Rothmoore Corp. Common  
**March 12, 1947**Farquhar (A. B.) Co. Debs. and Common  
Wyatt Food Stores Preferred**March 13, 1947**

Book-of-the-Month Club, Inc. Capital Stock

**March 17, 1947**Corey Corp. Common  
Iowa-Illinois Gas & Electric Co. Bonds  
West Coast Airlines, Inc. Common**March 18, 1947**American Potash & Chemical Corp. Preferred  
Consolidated Edison Co. of N. Y., Inc.  
11 a.m. (EST) Debentures**March 19, 1947**Textron Inc. Preferred  
**March 24, 1947**American Iron & Machine Works  
Co. Debs., Pfd. and Common**March 25, 1947**American Telephone & Telegraph Co.  
11:30 a.m. (EST) Debentures  
Continental Car-na-var Corp. Common

(Continued from page 1285)

**• Bobbi Motor Car Corp., Birmingham, Ala.**

Mar. 3 (letter of notification) 60,000 shares (\$1 par) common. Price—\$5 a share. Company proposes to offer 12,997 shares of common in exchange for its unsecured promissory notes in the amount of \$64,985 held by distributors of company's proposed products. Underwriting, the stock will be sold by officers and directors of the company. For completion of display automobiles now under construction.

**Book-of-the-Month Club, Inc., N. Y. (3/13-14)**

Oct. 28 filed 300,000 shares (\$1.25 par) capital stock. Underwriter—Eastman, Dillon & Co., New York. Offering—Of the total, the company is selling 100,000 shares and six stockholders, including Harry Scherman, President, and Meredith Wood, Vice-President, are selling the remaining 200,000 shares. Price by amendment. Proceeds—Company will use its net proceeds for working capital to be used for expansion of inventories of paper and other raw materials and book inventories.

**Boston Store of Chicago, Inc.**

Sept. 10 filed 30,000 shares (\$50 par) 5% cumulative preferred and 500,000 shares (\$1 par) common. Underwriters—Paul H. Davis & Co. and Stroud & Co., Inc. Offering—Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. Price—By amendment. Proceeds—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of \$5,268,750 and accrued interest. Offering date indefinite.

**Bowman Gum, Inc., Philadelphia**

Sept. 27 filed 268,875 shares (\$1 par) common. Underwriter—Van Alstyne, Noel & Co., New York. Price—By amendment. Proceeds—Stock is being sold by shareholders who will receive proceeds.

**Braunstein (Harry), Inc., Wilmington, Del.**

Sept. 25 filed 12,500 shares (\$25 par) 4½% cumulative convertible preferred stock and 50,000 shares (20¢ par) common stock. Underwriter—C. K. Pistell & Co., Inc., New York. Price—\$25 a share for preferred and \$11 a share for common. Proceeds—7,000 preferred shares are being sold by company, the remaining 5,500 preferred shares and all of the common are being sold by present stockholders. Net proceeds to the company, estimated at \$147,500, will be used to prepay to the extent possible outstanding \$149,300 mortgage liabilities. Offering date indefinite.

**Brooklyn (N. Y.) Union Gas Co.**  
May 3 filed 70,000 shares of cumulative preferred stock (\$100 par). Underwriters—To be filed by amendment.

**Bids Rejected**—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

**• Burrillville Racing Association, Pawtucket, R. I.**  
Feb. 27 filed 38,500 shares (no par) class A stock. Underwriter—Barrett & Co., Providence, R. I. Offering—The shares will be offered for subscription to class A stockholders at \$20 a share, on the basis of one share for each share held. Unsubscribed shares will be offered publicly at \$20 a share. Price—\$20 a share. Proceeds will be used to finance the cost of completing a race track at Lincoln, R. I.

**California Oregon Power Co.**  
May 24 filed 312,000 shares of common stock (no par). Stock will be sold through competitive bidding. Underwriters—Names by amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Offering—Stock is being sold by Standard Gas and Electric Co., parent, of California. **Bids Rejected**—Standard Gas & Electric Co. rejected June 25 two bids for the purchase of the stock as unsatisfactory. Blyth & Co., Inc., and First Boston Corp. bid of \$28.33 a share, and Harriman Ripley & Co. bid of \$24.031 a share. Directors of Standard Feb. 21 decided to offer the stock for sale in near future.

**• Carlat Custodial Corp. and Carlat Development Corp., New York (3/10)**

March 3 (letter of notification) 1,500 shares of capital stock (no par) of each corporation. Underwriting, none. Price—\$100 per unit of one share of each corporation. Proceeds for experimentation, development of patents etc.

**Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario**

June 24 filed 400,000 shares of common stock. Underwriter—No underwriters. Offering—To the public at \$1 a share in Canadian funds. Proceeds—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

**Central Soya Co., Inc., Fort Wayne, Ind.**

Aug. 21 filed 90,000 shares (no par) common. Underwriter—None. Offering—Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7½ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. Proceeds—Working capital, etc. Offering indefinitely postponed.

**• China Film Enterprises of America, Inc., New York**

Feb. 25 (letter of notification) 2,500 shares (\$100 par) preferred and 2,500 shares (\$1 par) common. Price—\$100 a preferred share and \$1 a common share. No underwriting. To finance film production and other purposes.

**• City Gas Co. of Phillipsburg, N. J.**

Feb. 26 (letter of notification) 750 shares of 5% cumulative preferred on behalf of Harry E. Carver. Price—\$102.50 a share. No underwriting. Proceeds go to the selling stockholder.

**Cleveland (O.) Electric Illuminating Co.**

Feb. 21, filed 1,847,908 shares (no par) common. Underwriters—Names by amendment. Probable bidders include Dillon, Read & Co. Inc.; Blyth & Co., Inc. Offering—All of the shares are owned by The North American Co. which proposes to sell 1,714,525 shares to common stockholders and the remaining 133,383 shares to underwriters. Price—Rights to purchase will be issued at the rate of \$15 per share of Cleveland for each five shares of North American common held. Proceeds—For prepayment of bank loan notes of North American.

**Clinton Machine Co., Clinton, Mich.**

Feb. 17 (letter of notification) 10,000 shares (\$1 par) stock on behalf of Donald D. Thomas, President of the company. Price—\$6 a share. Underwriter—Smith, Hague & Co., Detroit. Proceeds go to the selling stockholder.

**Columbia Aircraft Products Inc.**

June 26 filed 150,000 shares (\$4 par) 30c cumulative convertible preferred stock, convertible into common stock in the ratio initially of 1½ shares of common for each share of preferred. Underwriter—Floyd D. Cerf Co., Inc., Chicago. Offering—Company offered 59,585½ shares for subscription to present common stockholders of record Aug. 6 at \$4.50 a share in the ratio of one share of preferred for each share of common held. Rights expired Aug. 20. Stockholders subscribed for 735 shares. The offering to common stockholders excluded the two principal stockholders who waived their rights to subscribe. The remaining 90,414½ shares and 58,850½ shares not subscribed to by common stockholders will be offered to the public through underwriters. Price—\$5 a share. Proceeds—Approximately \$50,000 for payment of Federal taxes; \$250,000 for payment of Lincoln-RFC loan; \$50,000 as a loan to Palmer Brothers Engines, Inc., a subsidiary; balance for purchase of machinery and equipment and working capital.

**• Columbia Machinery & Engineering Corp., Hamilton, O.**

Feb. 24 (letter of notification) 24,000 shares of common on behalf of James C. Hart. Price—At market. To be sold through Jackson & Co. and Flannery & Co., both of Youngstown, Ohio. Proceeds go to the selling stockholder.

**• Connecticut Light & Power Co., Hartford, Conn.**  
Feb. 28 filed 164,018 shares (no par) common. Underwriting—None. Offering—Shares will be offered to common stockholders in the ratio of one share for each seven shares held. Price—\$50 a share. Proceeds—For construction program. Business—Public utility.

**• Consolidated Edison Co. of N. Y., Inc. (3/18)**  
Feb. 21, filed \$100,000,000 of first and refunding mortgage bonds, series A, due 1982. Underwriters—To be determined by competitive bidding. Probable bidders include Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; The First Boston Corp. (jointly). Price—To be determined by competitive bidding. Proceeds—For redemption of outstanding mortgage bonds. **Bids Invited**—Bids for the purchase of the bonds will be received up to 11 a.m. EST March 18 at company's office, 4 Irving Place, New York City.

**• Continental Car-na-var Corp. (3/25)**  
Nov. 4 (letter of notification) 132,500 shares (\$1 par) common and 35,000 warrants for purchase of common one year after present public offering. Price—\$2 a common share, one cent a warrant. Underwriter—L. D. Sherman & Co., New York. For working capital.

**• Cory Corp., Chicago (3/12-14)**  
Feb. 20, filed 177,000 shares (\$1 par) common. Underwriter—Glore, Forgan & Co., Chicago. Price—By amendment. Proceeds—All of the shares are being sold by stockholders including James W. Alsdorf, President. Business—Operation of glass coffee brewer division and electric air circulator division.

**• Crader Oil Co., Inc., Oklahoma City, Okla.**  
Feb. 24 (letter of notification) 40,000 shares (\$1 par) common. Price—\$1 a share. No underwriting. For purchase and development of oil and gas leases.

**• Crawford Clothes, Inc., L. I. City, N. Y.**  
Aug. 9 filed 300,000 shares (\$5 par) common stock. Underwriters—First Boston Corp., New York. Price by amendment. Proceeds—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

**• Crown Capital Corp., Wilmington, Del.**  
Jan. 22 filed 250,000 shares (\$1 par) class A common. Underwriter—Hodson & Co. Inc., New York, will act as selling agent. Price—By amendment. Proceeds—Net proceeds will be used as capital for company's subsidiaries engaged in the small loan or personal finance business.

**• Cyprus Mines, Ltd., Montreal, Canada**  
May 31 filed 500,000 shares of common stock (par \$1). Underwriters—Sabiston-Hughes, Ltd., Toronto. Offering—Shares will be offered to the public at 75 cents a share. Proceeds—Net proceeds, estimated at \$300,000, will be used for mining operations.

**• Delaware Power & Light Co., Wilmington, Del.**  
Feb. 21, filed 50,000 shares (\$100 par) cumulative preferred. Underwriter—To be determined by competitive bidding. Probable bidders include Lehman Brothers; The First Boston Corp., and Blyth & Co., Inc. (jointly); Shields & Co., and White, Weld & Co. (jointly); Paine, Webber, Jackson & Curtis, and W. C. Langley & Co. (jointly). Price—To be determined by competitive bidding. Proceeds—To be added to cash funds and will be used, among other things, to finance construction.

**• Detroit Typesetting Co., Detroit, Mich.**  
Sept. 25 filed 70,920 shares (\$1 par) common. Underwriter—C. G. McDonald & Co., Detroit. Price—\$5.50 a share. Proceeds—Stock is being sold by six shareholders who will receive proceeds. Boston. For working capital.

**• Disposable Bottle Corp., Washington, D. C.**  
Feb. 24 (letter of notification) 94 shares each of preferred and common stocks. Offering in units of one share of preferred and one share of common at \$200 per unit. No underwriting. For operating expenses.

**• Doman Frasier Helicopters, Inc., N. Y. (3/7)**  
Feb. 28 (letter of notification) 21,700 shares of common stock (par \$1), which includes revision offer for 6,000 shares. Price—\$1 per share. Underwriting, none. Proceeds for construction and development of helicopters and other corporate purposes.

**• Doman Frasier Helicopters, Inc., N. Y. (3/10)**  
March 3 (letter of notification) 30,000 shares of common stock (par \$1). Underwriter—John Nickerson & Co., Inc., New York. Price—\$1.25 per share. Proceeds for construction and development of helicopters and other corporate purposes.

**• Drexel (N. C.) Furniture Co.**  
Feb. 24, filed an unspecified number of shares of \$2.50 par common. Underwriter—R. S. Dickson & Co., Inc., Charlotte, N. C. Price—By amendment. Proceeds—Offering is not being made by the company, but by certain stockholders, including officers and directors of the company who have entered into a selling agreement with the underwriters. The amount of shares being sold and the names of the selling stockholders will be supplied by amendment.

**• Edelbrew Brewery, Inc., Brooklyn, N. Y.**  
Dec. 31 filed 5,000 shares (\$100 par) 5% non-cumulative preferred. Underwriters—None. Offering—To be offered at par to customers, officers and employees of the company. Proceeds—For corporate purposes including modernization and improvement of the manufacturing plant and machinery and equipment.

**• Elkton (Ind.) Fireworks Co., Inc.**  
Feb. 25 (letter of notification) 24,998 shares (\$1 par) common. Price—\$1 a share. No underwriting. To finance business of company.

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### Empire Millwork Corp., New York

Aug. 28 filed 50,000 shares of \$1.25 cumulative convertible preferred stock, (par \$25) and 150,000 shares of common stock (par \$1). Underwriters—Van Alstyne, Noel & Co. **Proceeds**—Corporation will receive the proceeds from the issuance of 50,000 shares of the common stock which will be used to increase productive capacity, add new lines of products and expand the business. The remaining 100,000 shares of common stock and the preferred shares will be sold by present stockholders.

### • Equipment Finance Corp., Chicago

Feb. 28 filed 8,025 shares (\$100 par) 4% cumulative preferred, series 2, and 25,070 shares (\$10 par) common. **Underwriting**—None. **Offering**—Company anticipates that the entire offering will be sold to its employees and officers. **Price**—Par. **Proceeds**—Estimated proceeds of \$1,045,000 will be applied to working capital. **Business**—Finance business.

### Farquhar (A. B.) Co., York, Pa. (3/12-14)

Feb. 13, 1947 (by amendment) \$600,000 4 1/4% sinking fund debentures, due 1962 (with warrants) and warrants for 600 common shares (par \$5) attached to debentures; also 56,800 common shares (par \$5) to be offered to public. (On Sept. 26 company filed 30,000 shares (\$25 par) cumulative convertible preferred; 45,000 shares (\$5 par) common; and an unspecified number of common shares to permit conversion of the preferred.) **Underwriter**—Stroud & Co., Inc., Philadelphia. **Price**—By amendment. **Proceeds**—Proceeds will be used to redeem 4 1/2% sinking fund mortgage bonds, due Aug. 1, 1957, to pay off certain contracts and chattel mortgages and to reduce bank loans.

### Federal Electric Products Co., Newark, N. J.

Feb. 26, filed 150,000 shares (\$1 par) common class A. **Underwriter**—E. F. Gillespie & Co., Inc., New York. **Price**—\$7.25 a share. The registration states principal stockholder has granted the underwriters an option to purchase 45,000 shares of class B (\$1 par) common at \$7.25 a share, exercisable for a period of three years. **Proceeds**—Proceeds of approximately \$870,000, together with \$755,000 of other bonds, will be used to repay the balance of \$34,000 of a property mortgage, to pay off loans in the amount of \$1,295,000 to Bankers Commercial Corp., New York, and for additional working capital.

### Films Inc., New York

June 25, filed 100,000 shares (\$5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York. **Offering**—To be offered publicly at \$8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—\$201,000 for retirement of 2,010 shares (\$100 par) preferred stock at \$100 a share; remaining proceeds, together with other funds, will be used for production of educational

### Foreman Fabrics Corp., New York

July 29 filed 110,000 shares (\$1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. Price by amendment. Issue may be withdrawn.

### Fresh Dry Foods, Inc., Columbia, S. C.

Aug. 30 filed 450,000 shares (10¢ par) common. **Underwriter**—Newkirk & Banks, Inc. **Offering**—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. **Price**—\$6 a share. **Proceeds**—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital. Offering date indefinite.

### Glen Industries Inc., Milwaukee, Wis.

July 31 filed 50,000 shares of \$1.25 cumulative convertible preferred stock series A (\$20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. **Underwriters**—Van Alstyne Noel & Co. Price by amendment. **Proceeds**—To selling stockholders. Offering temporarily postponed.

### Glencair Mining Co. Ltd., Toronto, Can.

Oct. 2 filed 300,000 shares (\$1 par) stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—40 cents a share (Canadian Funds). **Proceeds**—For mine development.

### Glensder Textile Corp., New York

Aug. 28 filed 355,000 shares (\$1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter**—Van Alstyne, Noel & Co. **Offering**—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at \$11 a share. **Price** by amendment. Offering temporarily postponed.

### • Golden Seal Mining and Milling Co., Boise, Ida.

Feb. 28 (letter of notification) \$50,000 (25¢ par) common. **Price**—25 cents a share. **Underwriting**—President of company will sell stock for mine development and other expenses.

### • Goodrich (B. F.) Co., New York

Feb. 25 (letter of notification) 4,285 shares (no par) common. **Price**—At market. It is expected that the stock will be sold through Goldman, Sachs & Co., New York. For additional working capital.

### Griggs, Cooper & Co., St. Paul, Minn.

Sept. 3 (letter of notification) 12,000 shares (\$1 par) common. **Underwriters**—Kalman & Co., Inc., St. Paul. **Price**—\$25 a share. **Proceeds**—For improvement and modernization program. Offering indefinitely postponed.

### Grolier Society, Inc., New York

July 29 filed 18,500 shares at \$4.25 cumulative preferred stock (\$100 par), with non-detachable common stock purchase warrants entitling registered holders of shares of the \$4.25 preferred to purchase at any time 64,750 shares of common stock at \$16 a share at the ratio of 3 1/4 common shares for each preferred share held; and 120,000 shares of \$1 par common stock. **Underwriters**—H. M. Bylesby and Co., Inc. withdrew as underwriters. **Offering**—Underwriters to purchase from the company 18,500 shares of preferred and 20,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. **Prices**, preferred \$100 a share; common \$14 a share. **Proceeds**—To retire \$6 cumulative preferred, pay notes, discharge a loan. Indefinitely postponed.

### Gulf States Utilities Co., Baton Rouge, La.

Jan. 20 filed 1,909,968 shares (no par) common. **Underwriter**—None. **Offering**—The shares will be offered for subscription to common stockholders of Gulf States' parent, Engineers Public Service Co., New York. The subscription basis will be one share of Gulf States stock for each share of Engineers common held. **Price**—\$11.50 a share. **Proceeds**—Purpose of offering is to carry out a provision of dissolution plan of Engineers approved by the Commission.

### Hammond Instrument Co., Chicago

Aug. 8 filed 80,000 shares (\$1 par) common. **Underwriter**: Paul H. Davies & Co., Chicago. Price by amendment. **Proceeds**—Net proceeds will be used to redeem its outstanding 6% cumulative preferred stock at an estimated cost of \$213,258, exclusive of accrued dividends. It also will use approximately \$402,000 toward the purchase of a manufacturing plant in Chicago; balance for working capital. Offering date indefinite.

### Hartfield Stores, Inc., Los Angeles

June 27 filed 100,000 shares (\$1 par) common stock. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at \$8 a share. **Proceeds**—Company is selling 60,000 shares and stockholders are selling 40,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. Offering temporarily postponed.

### • Hartford (Conn.) Heat Treating Corp. (3/10-14)

Feb. 26 (letter of notification) 10,000 shares (\$5 par) 6% cumulative preferred and 30,000 shares (10¢ par) common. **Price**—\$5.20 a preferred share and 10 cents a common share. **Underwriter**—Henry C. Robinson & Co. For working capital.

### Health Institute, Inc., Hot Springs, N. Mex.

Dec. 16 filed 50,000 shares (\$10 par) 5 1/2% cumulative prior preferred and 40,000 shares (\$10 par) common. **Underwriting**—None. **Offering**—All preferred and common will be offered publicly. **Price**—\$10.15 a preferred share and \$10 a common share. **Proceeds**—Proceeds will be used to build and equip hotel and health facilities and to acquire a mineral water supply.

### High Vacuum Processes Inc., Phila. (3/7)

Feb. 28 (letter of notification) 9,200 shares (\$25 par) non-cumulative preferred and 27,600 shares (5¢ par) common. **Price**—\$25.15 per unit, consisting of one share of preferred and 3 shares of common. **Underwriter**—Parrish & Co., Philadelphia, Pa. For organization and past operating expenses and for equipment.

### • Highland-Surprise Consolidated Mining Co., Wallace, Ida.

Feb. 24 (letter of notification) 85,000 shares of common. **Price**—37 cents a share. **Underwriters**—Shares to be sold through directors of company. For mine development.

### Hy-Grade Supply Co., Oklahoma City

Dec. 3 (letter of notification) 54,350 shares of cum. conv. preferred and 50,000 common stock purchase warrants. **Price**—\$5.50 a preferred share and 2 cents a warrant. **Underwriter**—Amos Treat & Co., New York. It is expected that a full registration will be filed later with the SEC.

### Illinois Power Co., Decatur, Ill.

June 17, filed 200,000 shares (\$50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; W. E. Hutton & Co. **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

### International Dress Co., Inc., New York

Aug. 28 filed 140,000 shares of common stock (par \$1). **Underwriter**—Otis & Co. **Offering**—Price \$10 per share. **Proceeds**—Selling stockholders will receive proceeds. Offering date indefinite.

### International Roll Forming Co., Inc.

Feb. 7 (letter of notification) 10,000 shares of 4 1/2% cumulative preferred (non-voting) stock (par \$10) and 80,000 shares of common stock (no par). Gordon Saunders Co., New York (although not technically an underwriter) will assist in distribution of securities. **Price**—Preferred, \$10; common, 5 cents. Each purchaser of one preferred share shall have right to purchase two common shares. Proceeds for purpose of purchasing materials, renting factory and office space, etc.

### • Interstate Chemical Co., Longview, Wash.

Feb. 28 (letter of notification) 2,000 shares of 4% cumulative preferred (\$100 par); 300 shares of class B. common (\$100 par) and 7,000 shares of class A common (no par) to be given as bonus. **Price**—\$100 each for preferred and class B stock. To be sold by officers of the company to purchase a 40% interest in Anderson Phosphate Mines Inc.

### Iowa-Illinois Gas & Electric Co. (3/17)

Feb. 15 filed \$22,000,000 of first mortgage bonds due 1977. **Underwriter**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.; Harriman Ripley & Co. **Proceeds**—Part of the proceeds will be used to pay mortgage debt of \$10,578,000 and balance will be added to general funds. **Bids**—Bids for the purchase of the bonds will be received up to March 17 at room 2200, 105 West Adams St., Chicago.

### • Jacobs Sports Magazines, Inc., Rockingham, N. C.

Feb. 24 (letter of notification) 3,000 shares (\$100 par) common. **Price**—\$100 a share. No underwriting. For additional working capital.

### Jahn & Ollier Engraving Co., Chicago

Feb. 26, filed 102,000 shares (\$1 par) common. **Underwriter**—Sills, Minton & Co., Inc., Chicago. **Price**—By amendment. **Proceeds**—The shares, which constitute approximately 48.5% of company's outstanding common stock, are being sold to stockholders. **Business**—Preparing printing plates on copper and zinc by photo-mechanical and hand-engraving operations.

### Joyce, Inc., Pasadena, Calif.

Feb. 24, filed 150,000 shares (\$1 par) common. **Underwriter**—Lester & Co., Los Angeles. **Price**—\$6.25 a share. **Proceeds**—Of the total, company is selling 100,000 shares and 50,000 shares are being sold by stockholders. Company will use its estimated net proceeds of \$518,242 for the following purposes: retirement of 295 shares of 6% preferred at \$100 a share and accrued dividends; retirement of 9,615 shares of 4% second preferred at \$10 a share and accrued dividends; payment of a \$300,000 bank note held by Union Bank & Trust Co. of Los Angeles; and balance for working capital.

### • Kenmar Manufacturing Co., Northampton, Pa.

Feb. 26 (letter of notification) 30,000 shares (no par) common. **Price**—\$10 a share. No underwriting. For construction of building, purchase of equipment and for working capital.

### Kingan & Co., Inc., Indianapolis, Ind.

Jan. 24 filed 6,564 shares (\$100 par) 4% cumulative preferred and 174,625 shares (\$10 par) common. **Underwriter** by amendment. Price by amendment. **Proceeds**—All of the securities are being offered by stockholders who will receive proceeds.

### Magnet Cove Barium Corp., Houston, Tex.

Feb. 25 (letter of notification) 700 shares (\$100 par) preferred. **Price**—\$100 a share. No underwriting. For working capital.

### Maine Public Service Co., Preque Isle, Me.

June 25 filed 150,000 shares (\$10 par) capital stock. **Underwriters**—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly); Harriman Ripley & Co.; Coffin & Burr and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**

(Continued from page 1287)

(Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, \$6 no-par prior lien, 6% preferred and \$6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem \$3,500,000 3 1/4% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem \$375,000 3 1/2% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

#### Moore-Handley Hardware Co., Inc., Birmingham, Ala.

Feb. 20, filed 16,000 shares (\$100 par) cumulative preferred and 85,000 shares (\$1 par) common. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.; Paul H. Davis & Co., Chicago; and Johnston, Lemon & Co., Washington, D. C. **Price**—By amendment. **Proceeds**—Proceeds will be applied to the redemption of 44,000 shares (\$50 par) \$3 cumulative preferred at \$50 a share and accrued dividends. Additional funds for the redemption program will be supplied from treasury.

#### Motors Securities Co., Inc., Shreveport, La.

Feb. 19 filed \$5,000,000 collateral trust notes. **Underwriting**—No underwriting. **Price**—\$97.65 a unit. **Proceeds**—For purchase of automobile time sales paper which is its principal business as a finance company.

#### Mountain States Power Co. (3/10)

June 6 filed 140,814 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith Barney & Co. (jointly); Harriman, Ripley & Co.; The First Boston Corp. **Offering**—Shares are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common. **Bids Invited**—Standard Gas & Electric Co. is asking for bids for the purchase of the stock. Bids will be received up to 10:30 a.m., CST, March 10 at office of Standard, Room 1117, 231 So. La Salle St., Chicago.

#### Murphy (G. C.) Co., McKeesport, Pa.

June 13 filed 250,000 shares of common stock (par \$1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4 1/4% preferred stock at \$109 a share plus dividends. Indefinitely postponed.

#### National Guaranty Reserve Life Insurance Co., Jackson, Miss.

Feb. 25 (letter of notification) \$150,000 (\$50 par) capital stock, to be sold at \$100 a share. No underwriting. For capital stock and surplus.

#### Nemeth (Otto R.) Inc., Chicago

Feb. 27 (letter of notification) 73,250 shares (no par) common. **Price**—\$3 a share. **Underwriter**—Union Security Co., Chicago. For general corporate purposes and to augment working capital.

#### New England Gas and Electric Association

Feb. 28 filed \$22,425,000 20-year collateral trust sinking fund bonds, series A, due 1967; 77,625 shares (\$100 par) cumulative convertible preferred and 479,235 shares (\$8 par) common. **Underwriters**—Bonds will be sold at competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly). Names of underwriters for the common and preferred will be supplied by amendment. **Proceeds**—Financing is part of recapitalization plan to retire outstanding indebtedness of \$34,998,500. **Business**—Public utility holding company.

#### Newburgh Steel Co., Inc., Detroit

Aug. 2 filed 30,000 shares of 6% cumulative convertible preferred stock (par \$10), and 30,000 common shares (\$1 par). **Underwriter**—Charles E. Bailey & Co., Detroit. Shares are issued and outstanding and are being sold by Maurice Cohen and Samuel Friedman, President and Secretary-Treasurer, respectively, each selling 15,000 shares of preferred and 15,000 shares of common. **Price**—\$10 a share for the preferred and \$6 a share for the common. \$204,047 of the proceeds shall be paid to the company to discharge their indebtedness to it.

#### New York Stocks, Inc., New York

Feb. 27 filed 2,000,000 shares of special stock. **Underwriter**—Hugh W. Long and Co., Inc., is the exclusive wholesale distributor. **Price**—at market. **Proceeds**—For investment. **Business**—Investment business.

#### Northern Engraving & Mfg. Co., La Crosse, Wis.

Aug. 29 filed 70,000 shares (\$2 par) common stock. **Underwriter**—Cruttenden & Co. **Offering**—All shares are issued and outstanding and being sold for the account of present holders. **Price**—\$16 a share. **Proceeds**—To selling stockholders. Issue being withdrawn.

#### Northern Indiana Public Service Co. (3/10)

Aug. 28 filed maximum of 384,026 shares of common stock. **Underwriters** by amendment as shares will be offered under competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Stone & Webster Securities Corp., and Harriman, Ripley & Co., Inc. (jointly). Of the shares registered, 182,677 are being sold by Midland Realization Co.; 54,426 by Mid-

land Utilities Co., 146,923 by Middle West Corp. **Bids Invited**—Proposals for the purchase of the stock will be received at offices of Guaranty Trust Co., 140 Broadway, New York, up to 11 a.m. (EST) March 10.

#### Nugent's National Stores, Inc., New York

June 21 filed 85,000 shares (\$1 par) common stock. **Underwriters**—Newburger & Hano, and Gearhart & Co. Inc. **Price**, \$6.75 a share. **Proceeds**—Net proceeds to the company from 62,000 shares, estimated at \$350,200, will be applied as follows: About \$111,300 for retirement of outstanding preferred stock; \$41,649 to purchase 100% of the stock of two affiliates, and balance \$197,000 for other corporate purposes. The proceeds from the other 3,000 shares will go to selling stockholders. Offering temporarily postponed.

#### Oro Yellowknife Gold Mines Ltd., Toronto, Can.

Jan. 7 filed 2,000,000 shares (\$1 par) capital stock. **Underwriter**—Tellier & Co., New York. **Price**—60 cents a share. **Proceeds**—For expenses and exploration and development.

#### Pacific Power & Light Co., Portland, Ore.

July 10 filed 100,000 shares (\$100 par) preferred stock. **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); The First Boston Corp., W. C. Langley & Co.; Harriman, Ripley & Co. **Offering**—Company proposes to issue the 100,000 shares of new preferred for the purpose of refinancing at a lower dividend rate the 67,000 outstanding preferred shares of Pacific and the 47,806 preferred shares of Northern Electric Co., in connection with the proposed merger of Northwestern into Pacific. In connection with the merger, the outstanding preferred stocks of Pacific and Northwestern will be exchanged share for share, with cash adjustments, for the new preferred stock of Pacific, the surviving corporation. **Offering price**—To be supplied by amendment.

#### Pal Blade Co., Inc., New York

June 28, 1946 filed 227,500 shares (\$1 par) capital stock. **Underwriters**—F. Eberstadt & Co., Inc. **Offering**—225,000 shares are outstanding and are being sold by 1f stockholders, and 2,500 shares are being sold by A. L. Marlman to all salaried employees. Issue may be withdrawn.

#### Palmetto Fibre Corp., Washington, D. C.

August 16 filed 4,000,000 shares (10¢ par) preference stock. **Price**—50 cents a share. **Proceeds**—The company will use estimated net proceeds of \$1,473,000 for purchase of a new factory near Punta Gorda, Fla., at a cost of about \$951,928. It will set aside \$150,000 for research and development purposes and the balance will be used as operating capital. **Underwriter**—Tellier & Co. withdraw as underwriters.

#### Plymouth Rubber Co., Inc., Canton, Mass.

Feb. 28 filed 300,000 shares (\$2 par) common, to be offered by selling stockholders, and an additional 12,500 shares of outstanding common expected to be offered by two selling stockholders by April 30. **Underwriters**—F. Eberstadt & Co., Inc., and E. W. Clucas & Co., of New York. Price by amendment. **Proceeds**—Go to selling stockholders. **Business**—Manufacture of rubber products.

#### Porcupine Club, Ltd., Nassau, Bahama Islands

Feb. 27 filed \$125,000 5% first mortgage sinking fund bonds, due 1971. **Underwriting**—None. **Offering**—Of the total, \$87,500 will be issued in exchange for an equal amount of outstanding 5% notes. The remaining \$37,500 of bonds will be offered to club members. **Price**—The bonds will be issued in denominations of \$1,000 and \$500 for sale at their face amount. **Proceeds**—For repayment of bank loan and other corporate purposes. **Business**—Operation of race track.

#### Peninsular Oil Corp., Ltd., Montreal, Canada

Sept. 3 filed 600,000 shares of common (par \$1). **Underwriter**—Sabiston Hughes, Ltd., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—Net proceeds will be used to purchase drilling machinery and other equipment

#### Petroleum Heat & Power Co., Stamford, Conn.

Dec. 30 filed 912,464 shares (\$2 par) common. **Underwriters**—None. **Offering**—Shares will be offered in exchange for entire outstanding capital stock of Taylor Refining Co., consisting of 8,946 shares (no par) common with an underlying book value of \$2,458,224 as of last Sept. 30. At a meeting of stockholders, Dec. 23 company authorized an increase in common stock from 1,000,000 to 2,000,000 shares and also authorized the issuance of the present offering in exchange for the Taylor stock. Approximately 70.9% of the common stock is held under a voting trust agreement of Aug. 15, 1945, which it is expected will be terminated upon the acquisition of the Taylor stock.

#### Pharis Tire & Rubber Co., Newark, O.

Sept. 27 filed 100,000 shares (\$20 par) cumulative convertible preferred. **Underwriter**—Van Alstyne, Noel & Co. and G. L. Ohrstrom & Co., New York. **Price**—\$20 a share. **Proceeds**—For payment of loans and to replace working capital expended in purchase of building from RFC and to complete construction of a building.

#### Pig'n Whistle Corp., San Francisco

Dec. 26 filed 50,000 shares (par \$7.50) cumulative convertible prior preferred \$2 dividend stock. **Underwriter**—G. Brashears & Co., Los Angeles. Price by amendment. **Proceeds**—23,481 shares are being issued by company and proceeds will be used in connection with recent purchase of four Chi Chi restaurants and cocktail lounges in Long Beach, Riverside, Palm Springs and San Diego and for working capital.

#### Protein Products Corp., Los Angeles

Feb. 24 (letter of notification) 2,000 shares of common, of which 1,000 shares are to be sold for \$100 per unit and the remaining 1,000 shares are to be issued to Emery W. Rutledge, William D. Leech and Charles H. Howe, for assignment of formula and to repay them for service and expenditures. No underwriting. To purchase laboratory and plant equipment.

#### Puritan Fund, Inc., Boston, Mass.

Feb. 3 filed 300,000 shares of capital stock (par \$1). **Underwriters**—Paul H. Davis & Co. and The Crosby Corp. Price at market. The fund is registered under the Investment Company Act of 1940 as an open-end diversified investment company of the management type. **Proceeds**—For investment.

#### Quebec Gold Rocks Exploration Ltd., Montreal

Nov. 13 filed 100,000 shares (50¢ par) capital stock. **Underwriter**—Robert B. Soden, Montreal, director of company. Price—50¢ a share. **Proceeds**—For exploration and development of mining property.

#### Realmont Red Lake Gold Mines, Ltd., Toronto, Canada

Nov. 20 filed 800,000 shares of common stock (\$1 par). **Offering Price**—\$0.60 a share to public. Company has not entered into any underwriting contract. **Proceeds**—Development of mining properties and exploration work.

#### Refrigerated Cargoes, Inc., New York

Feb. 3 filed 25,000 shares (\$100 par) 6% cumulative preferred and 25,000 shares (no par) common. **Underwriter**—John Martin Ralph, Vice-President and director of company. Price—The stocks will be sold at \$105 per unit consisting of one share of preferred and one share of common. **Proceeds**—To be used in organization of business.

#### Republic Pictures Corp., New York

Registration originally filed July 31 covered 184,821 shares of \$1 cumulative convertible preferred (\$10 par) and 277,231 shares (50¢ par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

#### Rider & Driver Publishing Co., Inc., New York

Feb. 28 (letter of notification) 25,000 shares (\$1 par) common. Price—\$3 a share. Underwriting by Wm. S. Moore, President. For development of magazine.

#### Rothmoor Corp., Chicago (3/11-12)

Feb. 17 filed 125,000 shares (40¢ par) common. **Underwriters**—Headed by Lee Higginson Corp. and F. S. Moseley & Co., Chicago. **Price**—By amendment. **Proceeds**—Shares are issued and outstanding and are being sold by Max E. Weinstock, President, and Morris Michel, Vice-President, as trustees of various trusts for members of their respective families. **Business**—Manufacture of women's cloth coats and suits.

#### Seaboard & Western Airlines, Inc., New York

Feb. 24 (letter of notification) 50,000 shares (\$1 par) common. Price—\$1 a share. No underwriting. For general working capital.

#### Selected American Shares, Inc., Chicago

Feb. 28 filed 200,000 shares of common stock. **Underwriting**—Selected Investments Co., Chicago. Price—at market. **Proceeds**—For investment. **Business**—Investment business.

#### Slick Airways, Inc., San Antonio, Tex.

Feb. 28 filed \$1,500,000 4% convertible income debentures, due 1957, and 167,781.5 shares (\$10 par) common. **Underwriting**—None. **Offering**—Debentures will be offered publicly at par, and the common will be offered to present common stockholders at \$10 a share in the ratio of one share for each two now held. **Proceeds**—For general corporate funds, including purchase of additional cargo planes. **Business**—Operation of airline.

#### Solar Manufacturing Corp.

June 14 filed 80,000 shares of \$1.12 1/2 cumulative convertible preferred stock, series A (par \$20). **Underwriters**—Van Alstyne, Noel & Co. Price by amendment. **Proceeds**—Net proceeds will be applied for the redemption of outstanding series A convertible preferred stock which are not converted into common stock. Such proceeds also will be used for additional manufacturing facilities in the amount of \$600,000; for additional inventory amounting to \$400,000, and for additional working capital. Offering temporarily postponed.

#### Soss Manufacturing Co., Detroit, Mich.

Sept 3 filed 40,000 shares (\$25 par) 5% cumulative convertible preferred. **Underwriter**—Ames, Emerich & Co., Inc., Chicago. **Offering**—To be offered to common stockholders for subscription at \$25 a share in the ratio of one preferred share for each five shares of common held. Unsubscribed shares will be sold to underwriters at same price. **Price**—Public offering price of unsubscribed shares by amendment. **Proceeds**—For expansion of plant facilities and for additional working capital. Offering postponed.

#### South Carolina Electric & Gas Co., Columbia, S. C.

March 3 (letter of notification) 975 1/2 shares (\$7.50 par) common on behalf of Marine Midland Trust Co., New York as co-trustee under pension trust agreement for benefit of pension trust. Price—\$7 1/2 a share. No underwriting.

**Southern Counties Gas Co. of Calif., Los Angeles**  
Feb. 19 filed \$6,000,000 3% first mortgage bonds due March 1, 1977. **Underwriting**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. **Proceeds**—To reimburse treasury for expenditures made for capital purposes and to finance construction costs.

● **Southern Photo Sales, Inc., New Orleans, La.**  
Feb. 28 (letter of notification) 305 shares of preference stock and 610 shares of common. **Price**—\$100 per unit consisting of one share of preference stock and 2 shares of common. **Underwriter**—Charles Lob, New Orleans. For additional working capital.

● **Squirt Co., Beverly Hills, Calif.**

Feb. 26 (letter of notification) 30,000 shares of class B stock (\$10 par). **Price**—\$10 a share. No underwriting. For working capital.

● **Street & Smith Publications, Inc.**

July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

● **Sunshine Silver, Lead & Gold Mines Co., Reno, Nev.**

Feb. 27 (letter of notification) 200,000 shares (10¢ par) common. **Price**—10 cents a share. No underwriting. For mine development.

● **Swern & Co., Trenton, N. J.**

Aug. 28 filed 195,000 shares common stock (par \$1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. **Price**—\$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially. Offering date indefinite.

● **Terley Mining, Milling & Smelting Corp., Bremerton, Wash.**

Feb. 28 (letter of notification) 1,000,000 shares (10¢ par) common. **Price**—10 cents a share. **Underwriting**—To be sold by officers and directors of company for continued development of company's mining claims.

● **Textron Inc., Providence, R. I. (3/19/20)**

Feb. 28 filed 300,000 shares (\$25 par) 5% convertible preferred. **Underwriters**—Blair & Co., Inc., New York, and Maxwell, Marshall & Co., Los Angeles. Price by amendment. **Proceeds**—For payment of \$3,950,000 of bank loan notes; purchase of two notes issued by a subsidiary, Textron Southern Inc. in the amount of \$1,000,000 each, and for working capital. **Business**—Textile business.

● **Toledo (O.) Edison Co.**

Oct. 25 filed \$32,000,000 first mortgage bonds, due 1976, and 160,000 shares of (\$100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Blyth & Co., Inc.; and Smith, Barney & Co. Price to be determined by competitive bidding. **Proceeds**—Net proceeds together with \$4,500,000 bank loan and if necessary, the \$5,000,000 to be contributed by its parent, Cities Service Co., will be used to redeem outstanding debt and preferred stock, involving a payment of \$56,906,590, exclusive of interest and dividends.

● **U. S. Television Manufacturing Corp., New York**  
Nov. 4 filed 200,000 shares (par \$1) 25c cumulative convertible preferred and 230,000 shares of common (par 50c). Price to public for preferred \$5 per share. Employees will be permitted to purchase preferred at \$4.50

per share. Of the common 30,000 shares are reserved for the exercise of warrants up to Jan. 15, 1950, at \$3.50 per share and 200,000 are reserved for the conversion of the preferred. **Underwriters**—Names by amendment. Price \$5 per share for preferred. **Proceeds**—For working capital and expansion of business.

● **Universal Winding Co., Cranston, R. I. (3/7)**

Feb. 10 filed 100,000 shares (\$15 par) convertible preferred. **Underwriter**—Reynolds & Co., New York. **Price**—Supplied by amendment. **Proceeds**—To pay cost of converting company's former foundry building to manufacturing purposes and to pay short-term bank loans. Any balance will be used as working capital. **Business**—Production of winding machines.

● **Utah Chemical & Carbon Co., Salt Lake City**

Dec. 20 filed \$700,000 15-year convertible debentures and 225,000 shares (\$1 par) common. The statement also covers 105,000 shares of common reserved for conversion of the debentures. **Underwriter**—Carver & Co., Inc., Boston. **Price**—Debentures 98; common \$3.75 per share. **Proceeds**—For plant construction, purchase of equipment and for working capital.

● **Vertientes-Camaguey Sugar Co. of Cuba, Havana, Cuba**

Feb. 27 filed 116,416 shares (\$6.50 par) common stock, U. S. currency. **Underwriter**—White, Weld & Co., New York. **Price**—By amendment. **Proceeds**—Shares are issued and outstanding and are being sold by stockholders. **Business**—Company is one of the largest producers of raw sugar in Cuba.

● **Victory Gold Mines Ltd., Montreal, Canada**

Nov. 13 filed 400,000 shares (\$1 par) capital stock. **Underwriter**—None as yet. **Price**—25 cents a share. **Proceeds**—For developing mining property. **Business**—Acquiring and developing mining properties.

● **Wagner Electric Corp., St. Louis, Mo.**

Feb. 27 filed 97,846 shares (\$15 par) common. **Underwriters**—No underwriting. **Offering**—Shares will be offered for subscription to common stockholders of record March 20 at \$30 a share in ratio of one share for each four shares held. Subscription warrants will expire April 9. Unsubscribed shares will be sold to persons designated by the directors. **Proceeds**—For general corporate purposes incident to expansion of business. **Business**—Company manufactures electric motors and for the automotive industry—hydraulic brakes.

● **Ward Baking Co., New York**

Feb. 24, filed 291,487½ shares (\$1 par) common. **Underwriter**—No underwriting. **Offering**—The shares are the number reserved for exercise of stock purchase warrants which expire April 1, 1956. **Price**—\$12.50 a common share during first four years beginning April 1, and \$15 a share during the last five years. Payment may be made in cash or by tender of 5½% cumulative preferred stock. **Proceeds**—Proceeds will be added to treasury funds.

● **Wells Beverage Co., Inc., New York**

Feb. 28 filed 100,000 shares (\$10 par) preferred stock. **Underwriting**—None. **Offering**—To be offered to buyers engaged in soft drink beverage business. **Price**—By amendment. **Proceeds**—To purchase operating equipment and bottling plants. **Business**—Soft drink beverage business.

● **West Coast Airlines, Inc., Seattle, Wash. (3/17-21)**

Sept. 2 filed 245,000 shares (\$1 par) common. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C. **Price**—\$7 a share. **Proceeds**—To repay short term bank loans for aircraft communication equipment part and shop facilities and for working capital.

● **Wyandotte Worsted Co., Waterville, Me.**

Feb. 26 filed 92,038 shares of common stock (par \$5). **Underwriter**—None. Stock will be sold through regular market channels over the New York Stock Exchange at "the best prices obtainable." **Proceeds**—Stock being sold by five stockholders.

● **Western Air Lines, Inc.**

Nov. 27 filed 1,200,000 shares (\$1 par) capital stock. **Underwriter**—Dillon, Read & Co. Inc. Price by amendment. **Proceeds**—Offering consists of an unspecified number of shares being sold by the company and by William A. Coulter, President and Director. The amounts being offered by each will be stated definitely by amendment and the total number of shares presently stated will be reduced if the offering consists of a smaller number of shares. Company will use its proceeds estimated at a minimum of \$6,500,000 together with a \$7,500,000 bank loan, toward payment of its promissory notes and to finance company's equipment and facilities expansion program now under way.

● **White's Auto Stores, Inc., Wichita Falls, Tex.**

Feb. 25, filed \$1,000,000 12-year debentures, due 1959, and 50,000 shares (\$1 par) common. **Underwriters**—First Colony Corp., New York, and Childs, Jeffries & Thorndike Inc., Boston. **Offering**—Of the total common, 5,000 shares are reserved for offering to employees. **Price** By amendment. **Proceeds**—Company is selling the debentures while the common stock is being sold by the four officers and directors. The company will use its proceeds to pay bank loans, to acquire additional warehouse space and to provide working capital.

● **Wisconsin Power & Light Co., Madison, Wis.**

May 21 filed 550,000 shares (\$10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Merrill Lynch, Pierce, Fenn & Beane; White, Weld & Co.; Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co., and Dillon, Read & Co. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

● **Wisconsin Supply Corp., Madison, Wis.**

Feb. 10 (letter of notification) 400 shares (\$100 par) 5% cumulative preferred. **Price**—\$100 a share. **Underwriter**—Northwestern Securities Co., Madison, Wis., is selling agent. For partial payment of plant construction costs and to provide working capital.

● **Wrisley (Allen B.) Co., Chicago (3/7)**

Feb. 15 filed 100,000 shares (\$1 par) common and 3,000 shares (\$100 par) cumulative convertible preferred 4% series. **Underwriter**—Paul H. Davis & Co., Chicago. The 3,000 shares of preferred will be offered to employees, present stockholders and others. Buyers must agree that shares are to be purchased for investment and not for resale. **Price**—\$100 a preferred share. Public offering price for common by amendment. **Proceeds**—For general corporate purposes including payment of the balance on the cost of the company's building program.

● **Wyandotte Worsted Co., Waterville, Me.**

Feb. 26 filed 92,038 shares of common stock (par \$5). **Underwriter**—None. Stock will be sold through regular market channels over the New York Stock Exchange at "the best prices obtainable." **Proceeds**—Stock being sold by five stockholders.

● **Wyatt Food Stores, Dallas, Texas (3/12)**

No. 12 filed 5,000 shares (par \$100) 5½% preferred stock. **Underwriter**—Rauscher, Pierce & Co. **Proceeds**—Will be used in part to equip three new cafeterias, to remodel its super markets and to increase working capital. **Price**—\$100 per share.

## Prospective Security Offerings

(NOT YET IN REGISTRATION)  
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Only "prospectives" reported during the past week are given herewith. Items previously noted are not repeated)

● **American Tobacco Co., Inc.**

March 1 company announced that plans are under way to offer approximately 896,400 shares of class B stock (par \$25) for subscription to common and common B stockholders on the basis of one new share for each

five shares held. It is contemplated that stockholders of record April 3 will be given the right to subscribe for the stock and that rights will expire April 21. Morgan Stanley & Co. will be underwriters. Proceeds will be added to working capital.

● **Asbestos Manufacturing Co.**

Preferred and common stockholders of record Feb. 24 will be given the right to subscribe for additional common shares (par \$1) at price to be later determined.

● **Baltimore & Ohio RR.**

March 3 company plans to issue invitations shortly for bids on \$5,650,000 of equipment trust certificates, series T. The certificates will finance part of the purchase price of 2,000 new hopper cars costing an estimated \$7,000,000. Probable bidders include Halsey, Stuart & Co., Inc., and Salomon Brothers & Hutzler.

● **Blumenthal (Sidney) & Co.**

Feb. 27 directors voted to sell publicly, through underwriters to be chosen, 60,000 shares of common stock. Proceeds would be used to reimburse company for preferred stock retired in 1946 and to increase working

capital. Stockholders are to be asked at a meeting this month to abolish preemptive rights, in order to facilitate the public offering. The directors propose thereafter to declare a 50% stock dividend. A concurrent offering of 16,500 shares for the account of a large stockholder may be made. Probable underwriters include Union Securities Corp.

● **Central Illinois Public Service Co.**

Feb. 18, reported investment banking groups were being formed to compete for the approximately 463,000 shares of common stock owned by Halsey, Stuart & Co. Inc., which, it is expected, will be put up for sale at competitive bidding within the next few months. Probable bidders include Glore, Forgan & C.; Blyth & Co., Inc., The First Boston Corp., and Central Republic Co. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly).

● **Chesapeake & Ohio Ry. (3/6)**

The company is inviting bids for the sale of \$1,800,000 equipment trust certificates. Bids will be received at company's office, 3400 Terminal Tower, Cleveland, Ohio.

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UNITED STATES GOVERNMENT,  
STATE, MUNICIPAL AND  
CORPORATE SECURITIES

BLAIR & CO.  
INC.  
NEW YORK

BOSTON • BUFFALO • CHICAGO • CLEVELAND  
PHILADELPHIA • PITTSBURGH • ST. LOUIS • SAN FRANCISCO

(Continued from page 1289)

on or before noon (EST) March 6. The certificates are to mature annually April 1, 1948 to 1957. This issue will finance part of the purchase price of new equipment estimated to cost \$2,271,533. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris Hall & Co. (Inc.); R. W. Pressprich & Co.; Harriman Ripley & Co., and Cleveland Trust Companies.

#### • Container Corp. of America

April 9 stockholders will vote on increasing authorized common stock from 1,000,000 to 1,500,000 shares and on creating an issue of \$10,000,000 new preferred stock. Company intends to sell the preferred in the near future. Company has under way a program of plant improvements. Probable underwriter—Kidder, Peabody & Co.

#### • du Pont (E. I.) de Nemours & Co.

April 14 stockholders will vote on increasing authorized preferred from 3,000,000 to 4,000,000 shares and on raising the redemption price from \$120 to \$125 per share, if redeemed by April 25, 1952. Proceeds of the additional 1,000,000 shares of preferred stock would be used for expansion. Traditional underwriter, Morgan Stanley & Co.

#### • Fairbanks Morse & Co.

R. H. Morse, President, in the 1946 annual report states: "From the present outlook it is not unlikely that the

company will be obliged to give consideration to a program of long-term financing to provide funds for expansion in diesel locomotive production and sales, to acquire certain government owned facilities and to provide additional working capital."

#### • Ferguson (Harry), Inc.

Feb. 26, early registration of 100,000 shares of preferred stock (par \$50) and 250,000 shares of common stock, expected, with F. Eberstadt & Co., Inc., and Watling, Lerchen & Co. as underwriters. Proceeds (approximately \$7,750,000) will be used to finance production of the Ferguson tractor. Public offering expected in April.

#### • General Aviation Equipment Corp.

Feb. 25 stockholders voted to increase authorized capital stock by 100,000 shares of preferred (par \$10) and reclassification of present authorized and outstanding capital stock as common.

#### • Georgia Hardwood Lumber Co.

Feb. 20 reported company contemplates new financing, probably through stock issue, with Reynolds & Co. as underwriters.

#### • New England Telephone & Telegraph Co.

March 3 new financing by the company is indicated in the annual report for 1946. During 1947 it is estimated that nearly \$70,000,000 will be expended in new con-

struction as part of the company's program. Traditional underwriter, Morgan Stanley & Co.

#### • Southern California Gas Co.

Feb. 24 filed with California P. U. Commission application to issue and sell through competitive bidding \$6,000,000 1st mortgage 3% bonds due 1977. Proceeds for new money. Probable bidders include Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

#### • Southern California Water Co.

Feb. 24, reported company plans refunding outstanding bonds and provide new money through a \$5,000,000 bond issue. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Union Securities Corp.

#### • Upper Peninsula Power Co.

March 4 company asked the SEC for authority to issue and sell at competitive bidding \$3,500,000 1st mtge. bonds series due 1977, 10,000 shares (par \$100) preferred stock and 180,000 shares (par \$10) common stock. Proceeds would be used to further the acquisition of properties. Probable bidders include: The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds); Blyth & Co., Inc.; Smith, Barney & Co.

over at least until the current block is well absorbed.

#### Short-Term Rates

The Federal Reserve Board, or at least the Chairman, Marriner S. Eccles, views interest rates paid by the Treasury on its short-term bills as "artificial."

Mr. Eccles told a House committee just that and declared that the rates should be raised to closer relationship with rates ruling on one-year certificates.

The latter now carry a 7/8% rate, against 3/8% for 90-day bills. He would limit the adjustment to the short-term field, however, and does not consider long-term government rates too low, although holding that returns here should not be "forced down any further."

#### N. Y. Telephone Prospects

Once the next phase of American Telephone & Telegraph's new financing for \$200 millions is out of the way, more probably will be heard of plans of N. Y. Telephone to obtain needed capital.

This newest step in rebuilding telephone plant, which was held in abeyance during the war, is expected to bring the New York company into the market for around \$100,000,000 along toward late spring.

Its recent report showed a plant deficiency of roughly that amount and it was indicated that projected outlay for new plant and equipment this year may total \$140 millions.

Capitalization now includes only about \$75,000,000 of mortgage bonds, or roughly 15% of the total of around \$496,000,000.

#### Freight Traffic Handled Rose 3.6% in January

The volume of freight traffic handled by Class I railroads in 1947, measured in ton-miles of freight, increased 3.6% above the corresponding month of last year, according to the Association of American Railroads. Traffic in January amounted to approximately 50,000,000,000 ton-miles, according to preliminary estimates based on reports just received by the Association from Class I railroads.

The January freight traffic this year was nearly double that of the same month in 1939.

The following table summarizes revised statistics for the year 1946, and preliminary figures for January, 1947 (000 omitted):

	1946	1945	Change
1st 11 mos.	542,377,789	634,376,276	-14.5
Mo. of Dec.	49,900,000	46,295,117	+ 5.8
Total	591,400,000	680,671,393	-13.1
1947	1946		
Mo. of Jan.	50,000,000	48,241,378	+ 3.6

\*Revised estimate. †Preliminary estimate.

## New Capital Issues in Great Britain

The following statistics have been compiled by the Midland Bank Limited. These compilations of issues of new capital, which are subject to revision, exclude all borrowings by the British Government; shares issued to vendors; allotments arising from the capitalization of reserve funds and undivided profits; sales of already issued securities which add nothing to the capital resources of the company whose securities have been offered; issues for conversion or redemption of securities previously held in the United Kingdom; short-dated bills sold in anticipation of long-term borrowings; and loans of municipal and county authorities which are not specifically limited. In all cases the figures are based upon the prices of issue.

NEW CAPITAL ISSUES IN THE UNITED KINGDOM  
(Compiled by the Midland Bank, Ltd.)  
(£000 Omitted)

Qtr. to March 31	Qtr. to June 30	to June 30	Qtr. to Sept. 30	Total for Half-Year	Qtr. to Dec. 31	to Dec. 31	Year to Dec. 31
				English Pounds			
1936	60,612	48,372	106,984	40,143	68,094	108,237	217,221
1937	49,543	47,873	97,416	29,410	44,080	73,490	170,906
1938	33,105	40,946	74,051	19,021	25,026	44,047	118,098
1939	24,887	32,258	57,145	8,041	1,108	9,149	66,294
1940	2,203	865	3,068	533	495	1,028	4,096
1941	826	454	1,280	928	117	1,046	2,326
1942	157	481	638	2,147	1,100	3,247	3,885
1943	963	2,768	3,731	4,304	549	4,852	8,583
1944	1,967	310	2,277	1,979	3,320	5,299	7,576
1945	1,872	5,062	6,934	4,451	9,083	13,534	20,468
1946	17,521	29,034	46,555	53,706			

#### Geographical Distribution

Total	United Kingdom	British Overseas Countries	Foreign Countries	(English Pounds—000's Omitted)	
				1st half	2d half
1936, 1st half	108,984	99,733	8,478	773	
1936, 2d half	108,237	91,075	14,875	2,287	
1937, 1st half	97,416	80,661	15,633	1,122	
1937, 2d half	73,490	58,107	9,305	6,078	
1938, 1st half	74,051	56,139	14,916	2,996	
1938, 2d half	44,046	36,607	6,368	1,071	
1939, 1st half	57,145	39,906	17,018	221	
1939, 2d half	9,149	3,429	1,295	4,425	
1940, 1st half	3,068	2,716	157	195	
1940, 2d half	1,028	828	200		
1941, 1st half	1,280	1,031	249		
1941, 2d half	1,046	896	150		
1942, 1st half	638	638			
1942, 2d half	3,247	3,211	36		
1943, 1st half	3,731	2,503	589	639	
1943, 2d half	4,852	4,555	57	240	
1944, 1st half	2,277	2,149	128		
1944, 2d half	5,299	4,539	269	491	
1945, 1st half	6,934	5,271	642	1,021	
1945, 2d half	13,534	11,690	1,844		
1946, 1st half	46,555	39,862	6,418	275	

First Six Months	July	Aug.	Sept.	Oct.	Nov.	Total for 11 Months to Nov. 30	
						(English Pounds—000's Omitted)	
1936	108,984	24,403	6,194	9,546	26,944	20,939	197,010
1937	97,416	20,305	7,141	1,964	13,855	12,400	

## Truckloadings' Volume for Full Year 1946 Second Only to War-Time Record Set in 1943

The volume of freight transported by motor carriers in December, 1946, was at the highest level of any December of record, according to the American Trucking Associations, Inc., which further reports as follows:

Although the volume in December was 1.6% under November tonnage, it was 32.4% higher than in December, 1945. The ATA index figure for the month, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, was 189. The highest previous December index was the 185 recorded in December, 1942.

Bearing out earlier predictions, the truckloading index for the full year of 1946 reached 184, the highest of any peacetime year and exceeded only by the 186 established in the record war-year 1943.

W. A. Bresnahan, ATA's Research Director, reported that one factor in the high volume of tonnage moved by truck in 1946 was increased movement of freight in less-than-carload lots to meet urgent consumer demand for many short articles as quickly as they were produced. "It is significant," he said, "that while railroad carloadings as a whole were down in 1946 as compared with 1945, their carloadings of merchandise in less-carload lots increased more than 14%." Moreover, in the last half of 1946 the average rail loading per car of less-carload freight was greater than in 1945, despite relaxation of Government requirements governing minimum loading of cars."

Comparable reports received by ATA from 185 carriers in 33 states showed these carriers transported an aggregate of 1,868,907 tons in December, as against 1,898,469 tons in November and 1,411,873 tons in December, 1945.

Approximately 88% of all tonnage transported in the month was hauled by carriers of general freight. The volume in this category decreased 1.1% below November, but increased 33.0% over December, 1945.

Transportation of petroleum products, accounting for about 7% of the total tonnage reported, showed increases of 2.4% over November and 17.3% over December, 1945.

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Jules I. Bogen, Professor of Finance and Editor of the New York "Journal of Commerce"; Dr. Lewis H. Haney, Professor of Economics; Dr. Jules Backman, Associate Professor of Economics; Dr. Walter E. Spahr, Professor of Economics and Secretary, Economists National Committee on Monetary Policy; Dr. Paul Studenski, Professor of Economics and Tax Consultant to the New York State Division of the Budget; Dr. Marcus Nadler, Professor of Finance and Consulting Economist, Central Hanover Bank and Trust Company; Marcus R. Gainsbrugh, Instructor in economics, and economist, National Industrial Conference Board; Dr. Ludwig Mises, Visiting Professor of Economics; C. Elliott Smith, Professor of Real Estate; Dr. Herbert B. Dorau, Professor of Economics; Dr. Thomas J. Anderson, Jr., Associate Professor of Economics; Dr. Spencer Miller, Jr., lecturer on management, and highway commissioner of New Jersey; and Dean Collins.

Mr. Hollyday and Milton T. MacDonald, Jersey City, Chairman of the Association's educational committee, will preside at dinner and luncheon meetings to be held during the Conference.

Mortgage bankers from all sec-

tions of the United States will attend. The meeting is thought to be the first effort of its kind and is a part of the educational program which the Association has under way for the past three years.

### DIVIDEND NOTICES

#### GURANTY TRUST COMPANY OF NEW YORK

New York, March 5, 1947.  
The Board of Directors has declared a quarterly dividend of Three Dollars (\$3.) per share on the Capital Stock of this Company for the quarter ending March 31, 1947, payable on April 1, 1947 to stockholders of record at the close of business March 12, 1947.

MATTHEW T. MURRAY, Secretary.

#### HOMESTAKE MINING COMPANY

Dividend No. 863  
The Board of Directors has declared dividend No. 863 of fifty cents (\$.50) per share of \$12.50 par value Capital Stock, payable March 20, 1947 to stockholders of record 3:00 o'clock P. M., March 10, 1947. Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent. JOHN W. HAMILTON, Secretary. February 25, 1947

#### DIVIDEND NOTICE WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of \$.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on April 10, 1947, to the holders of record of such shares at the close of business on March 26, 1947. E. H. BACH, Treasurer.

#### C.I.T. FINANCIAL CORPORATION

##### Dividend on Common Stock

A quarterly dividend of 50 cents per share (1 1/2%) on the Preferred Stock for the quarter ending March 31, 1947, and a dividend of 40¢ per share on the Common Stock have been declared. Both dividends are payable April 1, 1947, to holders of record March 11, 1947. The stock transfer books will remain open.

J. H. ELLIOTT, Secretary  
Boston, February 27, 1947

February 27, 1947

#### AMERICAN LOCOMOTIVE COMPANY

30 Church Street, New York 8, N. Y.  
PREFERRED DIVIDEND NO. 155  
COMMON DIVIDEND NO. 87

Dividends of one dollar seventy five cents (\$1.75) per share on the Preferred Stock and of thirty five cents (.35¢) per share on the Common Stock of this Company have been declared payable April 1, 1947 to holders of record at the close of business on March 13, 1947. Transfer books will not be closed.

CARL A. SUNDBERG  
Secretary

February 27, 1947



#### OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND NO. 193  
A quarterly dividend of \$1.50 per share on the Preferred Stock has been declared payable March 20, 1947, to stockholders of record at the close of business on March 8, 1947.

Checks will be mailed.  
C. A. SANFORD, Treasurer  
New York, February 26, 1947.

#### THE TEXAS COMPANY

178th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two percent (2%) on par value of the shares of The Texas Company has been declared this day, payable on April 1, 1947, to stockholders of record as shown by the books of the company at the close of business on February 28, 1947. The stock transfer books will remain open.

L. H. LINDEMAN  
January 31, 1947  
Treasurer



#### The Chesapeake and Ohio Railway Co.

A dividend for the first quarter of 1947 of seventy-five cents per share on \$25 par common stock will be paid April 1, 1947, to stockholders of record at close of business March 7, 1947. Transfer books will not close.

H. F. LOHMEYER, Secretary and Treasurer

### DIVIDEND NOTICES

#### AMERICAN MANUFACTURING COMPANY

Noble and West Streets  
Brooklyn, New York  
The Board of Directors of the American Manufacturing Company has declared a dividend of 25¢ per share on the Common Stock, payable April 1, 1947 to Stockholders of Record at the close of business March 10, 1947. The stock record books will be closed for the purpose of transfer of Common Stock at the close of business March 10, 1947 until March 26, 1947.

ROBERT B. BROWN, Treasurer.

#### AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 164  
Common Dividend No. 151

A quarterly dividend of 75¢ per share (1 1/2%) on the Preferred Stock for the quarter ending March 31, 1947, and a dividend of 40¢ per share on the Common Stock have been declared. Both dividends are payable April 1, 1947, to holders of record March 11, 1947. The stock transfer books will remain open.

W. F. COLCLOUGH, JR.  
February 26, 1947  
Secretary

February 27, 1947

#### The Borden Company

ANNUAL MEETING  
The annual meeting of stockholders will be held on Wednesday, April 16, 1947, at 11:00 o'clock A.M. (Eastern Standard Time) at 43 Park Avenue, Flemington, Hunterdon County, New Jersey.

Only stockholders of record at the close of business on Tuesday, March 18, 1947, will be entitled to vote at said meeting, notwithstanding any subsequent transfers of stock.

The stock transfer books will not be closed.

The Borden Company  
THEODORE D. WAIBEL, Secretary

February 27, 1947

#### CHEMICALS TEXTILES PLASTICS

#### CELANESE CORPORATION OF AMERICA

100 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

##### FIRST PREFERRED STOCK \$4.75 SERIES

The regular quarterly dividend for the current quarter of \$1.1834 per share, payable April 1, 1947 to holders of record at the close of business March 12, 1947.

##### 7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of \$1.175 per share, payable April 1, 1947 to holders of record at the close of business March 12, 1947.

##### COMMON STOCK

25 cents per share, payable March 31, 1947 to holders of record at the close of business March 12, 1947.

R. O. GILBERT  
Secretary

February 27, 1947

## State Mediation Board Official Obtains Quick Settlement of New York Cotton Exchange Strike

(Continued from page 1252)

however, lost out in its demand for a so-called "escape clause" permitting employees to leave the union within a specified time if they desired to do so. In fact, according to the union interpretation of what happened at the meeting, the Monday night negotiations got hot when this "escape clause" was brought up for consideration by the Exchange representatives.

Maintenance employees won a five-day 40-hour week replacing the six-day 40-hour week which has been in effect. The Exchange explains that this reduction in the number of working days means only that working days will be staggered in such a way that these employees will work only five days individually but over a six-day period collectively. The union also won increased vacation benefits, that is, a one week's vacation after six months, two weeks after a year and three weeks after 15 years. Provision was also made for possible cancellation of contract by either party on 30 day notice—exactly like a provision in the New York Stock Exchange contract. The union insisted upon this provision because it said it did not ever want to be in the position of having to walk through a picket line of its own members in order to live up to the terms of a contract.

One of the surprises of the dispute, so far as the average observer in the Wall Street district was concerned, was the support the U.F.E. received from the Seafarers' International Union. The fact that the seamen have their headquarters diagonally across the street from the Cotton Exchange might easily explain the apparent case with which it was obviously found possible to get great numbers of seafaring men, largely unacquainted with the issues involved in the controversy and, for that matter, with the nature of the business done by the Exchange, to join the picket line. That this is probably not the full story, however, is seen in the statement of Paul Hall, port agent of the S.I.U., to the effect that the union was prepared to strip all the ships in New York harbor if necessary to force acceptance of the financial employees' demand. The U.F.E. itself on Tuesday, engaged in the first strike of its career, pointed to its recent affiliation with the A.F.L. as the mainspring of the widespread support it was receiving.

The U.F.E. said it was getting offers of aid of all kinds from A.F.L. unions all over the city, including the offer of groceries. Police who were detailed to guard the buildings and keep order said the picket line was one of the noisiest they had ever seen. There is no doubt of course that the seamen and the others did help to swell the ranks of the pickets which had consisted only of the unionized employees of the Cotton Exchange would never have exceeded 70 to 100 or so at any time. The union claimed the employees of the other Exchanges and of the brokerage houses of the district supported their struggle but the great preponderance of seamen in the picket line gave to the outsiders anyhow the feeling that in this controversy the seamen were the U.F.E.'s best friends.

At the invitation of A. M. Kidder & Co., representatives of the union met with representatives of the firm last Friday to continue discussion of a possible new contract. Though the union according to the firm, has been saying that the company was refusing to negotiate, the company itself claims it never closed its doors to the union's representatives. Last Friday, the firm said it was planning to grant the merit raises and other wage adjustments to its employees it had the intention of doing before the union was chosen as collective bargaining agent in a State Labor Board election regardless of whether the union agreed to a contract or not and that it was willing to include these salary changes in a contract. The union has not yet officially replied to A. M. Kidder's offer but one union official said the firm's proposal was "worse" than the previous offer the company had made. He said A. M. Kidder's new offer would provide \$1 to \$2 a week raises for only 37 employees. The New York State Mediation Board which has already attempted to seek a settlement of this dispute will try again now, the union reports, to find some basis for settlement.

In two two-to-one decisions handed down simultaneously by the State Labor Board last Friday, the Financial Employees Guild, CIO, lost petitions for recognition as collective bargaining agent in branches of two banks, the Bank of the Manhattan Company and the Greenpoint Savings Bank. A dissenting opinion was

rendered in each case also by Rev. William J. Kelley, Chairman of the Board. The union has announced, however, that even before the decisions were handed down it had petitioned the National Labor Relations Board to take the cases under its jurisdiction. The union says the Bank of the Manhattan Company, for instance, had argued right along that the State Labor Board had no jurisdiction over the cases, being disputes involving financial institutions, and so it decided to seek a change in jurisdiction itself.

In the majority opinion on the Bank of the Manhattan Company case, Keith Lorenz and Meyer Goldberg declared, in part:

"We are sure that the Act never intended to hinder, disrupt or put obstacles in the way of any organization to do business in the State of New York. If we found otherwise, we would disrupt the administrative organization of this enterprise, or any enterprise similarly organized, to the detriment not only of the employer, but the employees as well. We would penalize the employer and the Act was never intended to be punitive either to labor or management.

"In conclusion, on this question, we wish to say that in such cases, involving highly centralized enterprises with branches not extending beyond the New York metropolitan area, when the employees in a comparatively small segment seek certification, it is not unfair to compel them to wait until there is a deep, similar interest manifested by the various employees in the organization as a whole. We are of the belief that the creation of the unit sought would be an opening wedge for other similar cases, with the effect of causing, not the peace and harmony contemplated by the Act, but general chaos and confusion in the banking industry as a whole.

"We are of the opinion, therefore, that a unit consisting of the employees in the Uptown Division would not be appropriate."

In his dissenting opinion, Father Kelley said, in part:

"On any ground, legal or ethical, I find myself bound to

regard as an appropriate unit the non-supervisory employees of the Uptown Division.

"Industrial peace can be achieved only through justice. It can never be achieved through a denial of justice. Any attempt to do so will sooner or later be followed by the ordinary consequences of injustice. In this case justice must be based primarily on a recognition of the rights of the employees involved. The right of employees to organize and to bargain collectively was not created by the Act. This right was, in the words of Chief Justice Hughes, a 'fundamental right,' long recognized at common law. (Amalgamated Utility Workers v. Consolidated Edison Co., 309 U. S. 261, 263-4). This right is now embodied in the State Constitution and in the Act. The employees involved herein have resorted to the peaceful machinery provided under the Act for the protection and enforcement of that right. The Board should determine their desires concerning representation for the purposes of collective bargaining.

"Accordingly, the petition should not be dismissed."

Decisions in the Greenpoint Savings Bank case were similar.

The Financial Employees Guild has notified the National Safety Bank that it wants to bargain collectively with it for its 250 employees in both the main office and the branches. Likewise the union has notified the Trade Bank and Trust Company that it wants to bargain collectively for its 150 employees in both the main office and branches.

### Proprietorship

WATERTOWN, N. Y.—G. A. Blaiklock is now conducting his investment business in Watertown as a sole proprietorship. He was previously president and treasurer of G. A. Blaiklock & Co., Inc. Offices are in the Woolworth Building.

### Old Reorganization Rails

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### W. K. Van Hise Officer of Parker-Weissenborn

NEWARK, N. J.—Parker & Weissenborn, Incorporated, 24 Commerce Street, announce that W. K. Van Hise, Lieutenant Commander, U.S.N.R., has become associated with the company as secretary and treasurer.

### Central Secs. Incorporates

OMAHA, NEB.—The Central Securities Co., First National Bank Building, is now doing business as a corporation.

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# The COMMERCIAL and FINANCIAL CHRONICLE

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Volume 165 Number 4574

New York, N. Y., Thursday, March 6, 1947

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## Hoover Reports on Germany

Former President recommends United States and Great Britain each appropriate \$475 millions to feed Germans, otherwise there will be no peace and occupational costs will be greatly increased. Says German masses are sunk to lowest level in century and their condition menaces survival of western civilization. In statement to House Foreign Affairs Committee he outlines relief policy.

Reporting to President Truman on his economic mission to Germany, which he recently completed, former President Herbert



Herbert Hoover

Hoover gave a dark picture of the condition of the German masses, and urged, as a temporary remedy of a situation which, he states, precludes a lasting peace, an expenditure of approximately \$1 billion to be shared equally by Britain and U. S. to feed the population in their respective zones of occupation. At a hearing of the House Foreign Affairs Committee he urged strict regulation of food distribution.

The text of Mr. Hoover's report to the President follows:

### Introduction

At the time of her surrender, Germany had exhausted all of her reserves and most of her stocks of consumer goods and raw materials. We now know that, driven back into her own borders, she would have blown up in chaos within a short time without further military action.

Promptly after the surrender, her liquid resources from which she could have been provided with supplies were seized and divided

(Continued on page 1298)

as reparations. The population thus became largely dependent for its life upon the armies of occupation.

It is hardly necessary to repeat that parts of Germany were annexed to Poland and Russia and that the shrunken territory was divided into four military occupation zones between the Russians, French, British and Americans. The American and British Zones have now been administratively combined, each nation bearing one-half the expense, and this report relates to that area only.

### Changes in Population and Manpower

The changes which have taken place in population profoundly affect all economic problems. The population of the combined zones in 1939 was about 34,200,000. The Germans expelled from the Russian and Polish annexations together with those from Czechoslovakia, Hungary, and Austria, have raised the population in the American and British Zones to about 41,700,000. It is estimated that an additional 1,000,000 will come into this area by December 1947. There are also about 400,000 British and American military and civil personnel. Thus, the two zones will have to accommodate about 43,000,000 people, bringing the population approxi-

(Continued on page 1298)

## Anderson, President of Economists' Group On Monetary Policy

Dr. Benjamin M. Anderson, Connell Professor of Banking, University of California, Los Angeles, has been elected by the Executive Committee of the Economists' National Committee on Monetary Policy as President of the organization.

In succeeding the late Dr. Leonard P. Ayres, for many years Vice-President of the Cleveland Trust Company and internationally recognized authority on business trends, Dr. Anderson becomes the fourth President of the Committee. The two previous incumbents were the late Dr. Edwin W. Kemmerer, Walker Professor of International Finance, Princeton, who held office for more than ten years, and Dr. Ray B. Westerfield, Professor of Economics, Yale University, who became the Committee's first President 14 years ago.

Other officers of the Committee for the current year are: Executive Vice-President and Treasurer, Dr. Walter E. Spahr, Professor of Economics, New York University; Vice-Presidents, Dr. James Washington Bell, Professor of Economics, Northwestern University, and Dr. Neil Carothers, Professor of Economics and Dean, Lehigh University; Assistant Treasurer, Dr. William W. Cumberland, Ladenburg, Thalmann & Co., New York City.

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\*Not available this week.

## As We See It

### EDITORIAL

#### Mr. Hoover and Germany

Ex-President Hoover has returned from an extended, if somewhat hurried, tour of parts of Europe. He has submitted a report to the President which shows plainly the imprint of the ex-President's experience in food relief, and at points a brand of common sense which has of late years been all to often absent from public documents. Yet, for our part, we find it difficult to shake off a feeling of disappointment. Mr. Hoover has set forth in arresting terms the horrors of a situation which have long in broad outline been familiar to all informed observers. In doing so, doubtless, he will help to bring more vividly to the mind of the average American, largely engrossed in his own problems and difficulties, a situation which cannot, or at least must not, be cast lightly aside. He has apparently made some suggestions as to administrative and other matters, the merits of which are difficult to appraise at this distance.

But the fundamentals of the situation in Germany—the abiding causes which if permitted to continue must give rise to long abiding effects of the nature of those now described by Mr. Hoover—draw hardly a passing reference. Says the ex-President:

"Promptly after the surrender her (Germany's) liquid resources from which she could have been provided with supplies were seized and divided as reparations. The population thus became largely dependent for its life upon the armies of occupation."

"It is hardly necessary to repeat that parts of Germany were annexed to Poland and Russia and that the shrunken territory was divided into four military occupation zones between the Russians, French, British and Americans."

(Continued on page 1296)

## From Washington Ahead of the News

By CARLISLE BARGERON

By way of showing that they are abreast of the march of progress, that they are capable of dealing with the maturity which we have attained in world affairs, the Washington correspondents have come to vying with one another in the holding of salons to which high officials are invited to frankly relate their problems. A correspondent, for example, will have a cabinet official in for cocktails



Carlisle Bargeron

and dinner and invite a few of his colleagues to drop in for a hair down session. The rule is that the correspondents may write what they learn without ascribing it to the official. Thus the get-togethers have come to constitute effective propaganda cells. They explain the sudden flush of stories about a given project or an "emergency" such as the situation in Greece.

These get-togethers are a current fad and for those whose business it is to know what really goes on in the Nation's Capital they are somewhat of a problem. When one of these emergencies pops up in several papers at about

the same time, the problem is to find out at just which of these parties and by whom it was planted. This information is invaluable in assaying the "emergency."

This correspondent recalls one of several months ago, long enough ago to tell about. A high brass really did a job on us in the matter of the "problem" in Austria. Those invited to the salon were impressed that they had been selected because of their influence and standing and reliability, as well as their ability to comprehend problems. Then the high brass confided behind closed doors that he was letting us in on this secret because of our importance.

Well, it seems that we are face to face with, and overwhelmed by, the Russians in Austria. But we can head them off and keep them from accomplishing their nefarious ends by some very competent administration in our zone, together with the spending of some

(Continued on page 1303)

## Buy Bonds on Merit Without Regard to Taxes

By ROGER W. BABSON

Mr. Babson discusses yields and prospects of both taxable and non-taxable bonds, and concludes in today's market it is better to buy good yielding taxable corporation bonds than to gamble in non-taxables. Prefers good industrials to rail issues.

Several weeks ago I discussed the stock market. I gave 10 reasons favoring higher prices. This week I will discuss bonds. These bonds may be

divided into two major groups.

By taxable bonds I have in mind those of established corporations and U. S. Government bonds. Nearly all such corporation bond issues now on the market should be safe. They yield from 3%

to 5½% according to their marketability. For an investor buying only for income and security, the medium-grade bonds often are better than the low-yielding

bonds. Each issue should, however, be judged on its own merits.

All the U. S. Governments should be safe. The small investor should buy Series "E" which yield about 3% although you must wait ten years before getting your interest. Large investors buy the "F's" or "G's" which yield 2½%. The interest on these bonds is taxable like the interest from any corporation bond, but the security should be of the highest possible.

### Non-Taxables Too High

I am bearish on non-taxable bonds at this time and this applies to all of the three leading groups as follows:

1. Municipal bonds of our biggest cities such as New York, Boston, Philadelphia, Baltimore, Pittsburgh, Detroit, etc., are truly risky

(Continued on page 1303)



Roger W. Babson

## Attention, Planners!

"After mentioning 'the grave drought' that required 'a reduction in food consumption' in 1946, the statement (of the Council of Ministers of the USSR) enumerates last year's industrial deficiencies.

"As summarized from the statement these are:

- "Slow growth of the coal industry, which delays the development of various branches of heavy industry and transportation."

"Deficit in the production of consumers goods.

"Failure to fulfill the plan for housing construction, which delays the organization of the permanent labor force and holds back labor productivity.

"Failure to open a number of new mines and ferrous metallurgical plants for production in 1946, leaving a considerable amount of uncompleted construction on hand.

"A 'serious' lag in the production of electrical equipment and agricultural machinery.

"Failure to produce enough tracks and wheels for railroads, pipes for the petroleum industry and sheet metal for automobiles.

"A considerable gap between stocks of building materials on hand and the national housing requirements, mostly as a result of slow development in lumbering."—Drew Middleton under a Moscow date line in the New York "Times."

We hope that those among us who seem to suppose that "planning" and central direction are an answer to our economic problems will not miss this Moscow dispatch.

## Industrial Activity to February 15 Reported by Federal Reserve Board

"Industrial output reached a new record peacetime level in January—one-sixth higher than at the beginning of last year," said the summary of general business and financial conditions in the United States, based upon statistics for January and the first half of February and issued on Feb. 27 by the Board of Governors of the Federal Reserve System. "Dollar volume of retail sales during January and the early part of February was substantially larger than in the same period last year, reflecting mainly increased prices," the Board noted, and it stated that "prices of agricultural commodities have risen in recent weeks, following earlier declines," while "prices of building materials have shown further increases." The Board further reported.

### Industrial Production

"Total output at factories and mines in January was at a rate of 188% of the 1935-39 average, according to the Board's seasonally adjusted index, as compared with 181% in December and with the previous peacetime peak of 183% in November. The large rise in January reflected chiefly sharp gains in output of coal, iron, and steel. Production of these materials had been curtailed in November and December owing to the bituminous coal work stoppage.

"Production of iron and steel in January was in the largest volume since May, 1945. Steel mill operations averaged 93% of capacity and were at a slightly higher scheduled rate during the first three weeks of February. Output of building materials was maintained at an unusually high level for this season, and activity in the nonferrous metals, machinery, and transportation equipment industries was maintained close to the December rate.

"Production of nondurable goods was at a rate of 177% of the 1935-39 average in January as compared with 173% in November and December. Activity in the chemicals, foods, and paper and printing industries reached new postwar peak rates in January, while output of most textile and leather products was below earlier peak rates.

"Output of bituminous coal, after being curtailed in November

and December, increased in January to the highest level in 20 years and was 9% above a year ago. Production of metals advanced somewhat, while output of anthracite and crude petroleum declined slightly.

### Employment

"Employment in manufacturing and most other nonagricultural industries continued to show little change in January, after allowing for the usual seasonal variation. The number of persons unemployed increased further to a level of 2,400,000.

### Construction

"Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased by  $\frac{1}{4}$  in January following a marked decline during the preceding seven months. About  $\frac{1}{2}$  of the increase was accounted for by public nonresidential construction, reflecting chiefly large awards for Veterans' hospitals. Residential contracts expanded by  $\frac{1}{3}$  due principally to awards for several large apartment projects.

### Distribution

"Value of department store sales in January and the early part of February was maintained close to the level prevailing since last June, after allowance is made for the usual seasonal changes. Sales during the first seven weeks of this year were 17% larger than the same period last year. Sales at other retail stores were at a relatively higher level compared with last year, reflecting mainly advanced prices for foods and increased supplies of such durable goods as automobiles and hardware. Unit sales of numerous nondurable goods apparently have declined somewhat from earlier advanced levels.

Freight carloadings increased

somewhat further in January, reflecting chiefly increased shipments of coal, iron, steel, and lumber. Shipments of most manufactured-products and agricultural commodities showed little change. Shortages of cars continued to limit the movement of some classes of freight.

### Commodity Prices

"Prices of farm products and foods, which declined from the middle of December to the latter part of January, have risen since that time, reflecting partly severe weather conditions and increased Federal export allocations for grains. Wholesale prices of most industrial products have shown little change but building material prices have increased further.

### Bank Credit

"Income tax collections greatly increased Treasury deposits at the Reserve Banks in January and the first half of February and placed member banks under moderate reserve pressure. A post-holiday return flow of currency of about \$900 millions and an increase in monetary gold stock supplied some reserve funds to member banks and there was a decline in required reserves. To maintain their reserve positions, however, banks sold short-term Government securities to the Reserve Banks.

"Bank deposits were also reduced by tax collections, notwithstanding the return flow of currency. At member banks in leading cities demand deposits adjusted declined by \$1.3 billion in the four weeks ending Feb. 19. Commercial and industrial loans continued to expand during January and early February; the rate of increase was more moderate than during last summer and fall. Government security holdings declined further, reflecting Treasury debt retirement and bank sales of bills and certificates."

## Orie Kelly Heads Div. For Catholic Charities

Orie R. Kelly of the Lawyers Trust Co. has accepted the Chairmanship of the Banks and Trusts division of the Special Gifts Committee of the Cardinal's Committee of the Laity for the 28th Annual Appeal of New York Catholic Charities. Vice-Chairman of the division are Robert Louis Hoguet, of Amend & Amend; Daniel J. Mahoney, Jr., of Bronx County Trust Co., and Thomas J. Shanahan, of Federation Bank & Trust Co. Announcement of these appointments was made by John A. Coleman, Chairman of the Board of Governors of the New York Stock Exchange, who is Executive Chairman of the Special Gifts Committee. John S. Burke, President of B. Altman & Co., is Chairman of the committee.

The Special Gifts Committee, composed of business and professional leaders of New York City, appeals on a non-sectarian basis to the general public on the ground of the wide community service rendered by the 174 welfare institutions affiliated with Catholic Charities. Last year, Mr. Coleman explained at a recent committee meeting, Catholic Charities expended \$2,297,075 in family, child and health care, in preventive and correctional work among young people, and many other services for children and adults. The Special Gifts Committee in 1946 raised \$852,144 out of a total appeal fund of \$1,920,005. Its goal for 1947 has been set at \$1,000,000.

Mr. Kelly is now completing the membership of his committee, and actual solicitation has already started. It will continue through the house-to-house canvass of Catholic families in the 374 parishes of the Archdiocese, which will run from April 20 to April 30.

## Two-Year Contracts Upheld by NLRB

The National Labor Relations Board on Feb. 27 ruled unanimously that a two-year labor-management contract cannot be disturbed by an application of another union for an employee election. This revises the Board's usual practice of the past eleven years, when such elections have been permitted after one year. The result of the Board's decision, as pointed out in special advices to the New York "Times" from Washington, is to give assurance to unions and employers that hereafter, regardless of custom, they may make two-year contracts which will not be prematurely disturbed by rival unions seeking bargaining rights.

The case which has brought about this far-reaching effect upon the Board's slowly maturing policy is that of the Reed Roller Bit Company of Houston, Texas, the United Steelworkers, CIO, with which the company made a two-year contract in August, 1945, and the International Association of Machinists, Independent, which started to seek a collective bargaining election shortly before the contract was a year old. Both the employer and the CIO union contended that their agreement, which runs until next Aug. 30, precluded a current determination of representatives. In the special advices to the "Times" it was stated:

Early in its history the Board was confronted with the problem whether an existing contract was a bar to a determination of an employee bargaining representative. In its first decisions the board held that a contract for a term of one year, whose expiration date was not imminent, would bar a determination of representatives, but that no contract which had been in effect for more than one year could foreclose an election.

It was held, however, that a two-year contract which was customary in the industry served to preclude a determination of representatives, although it had already run for more than one year.

Beginning in 1945, the Board modified previous decisions and ruled that a contract for a term of two years was presumed to be of reasonable duration, and that the burden was on the petitioning union to prove the contrary by showing that two-year agreements were not customary in the industry.

We thus progressed, said the Board, from the rule that no contract, which had been in effect for more than one year could operate as a bar to a determination of representatives to the principle that a two-year agreement is presumed to be of reasonable duration and therefore operates as a bar to an election unless the presumption is overcome.

In its recent ruling the Board decided: "The time has come when stability of industrial relations can be better served, without unreasonably restricting employees in their right to change representatives, by refusing to interfere with bargaining relations secured by collective agreements of two years duration." The decision went on to say, the "Times" advised stated:

In the present case the petitioner rebutted the presumption by proving that one-year agreements are customary in the industry in which the employer is engaged. Consequently, the question before us now is whether we should complete the cycle by holding that a two-year contract operates as a bar to an election until the approach of its terminal date, even in the face of a contrary custom in the industry.

Whenever a contract is urged as a bar, the Board is faced with

the problem of balancing two separate interests of employees and society which the act was designed to protect: the interest in such stability as is essential to encourage effective collective bargaining, and the sometimes conflicting interest in the freedom of employees to select and change their representatives.

In furtherance of the purposes of the act, we have repeatedly held that employees are entitled to change their representatives, if they so desire, at reasonable intervals; or conversely, that a collective bargaining contract may preclude a determination of representatives for a reasonable period.

In the light of our experience in administering the act, we believe that a contract for a term of two years cannot be said to be of unreasonable duration.

## Saturday Closings in N. Y. Reserve District

Calling attention on Feb. 27 to the newly enacted law in New York State providing that banks located in New York may be closed on any one or more Saturdays, the Federal Reserve Bank of New York in a notice to the banking institutions in the District issued by Allan Sproul, President of the Bank, said:

Pursuant to such sections, the Federal Reserve Bank of New York, including its Buffalo Branch, will be closed on each Saturday beginning April 5, 1947; and each such Saturday will be a public holiday in all respects affecting the Federal Reserve Bank of New York. The books of this bank will, therefore, be closed on each Saturday beginning April 5, 1947.

Pursuant to our time schedules, credit for cash items that would otherwise be given on any such Saturday will be given on the next succeeding business day; and no such Saturday will constitute a business day in determining the time when credit will be given, pursuant to our time schedules, for deferred credit items drawn on or payable at banks located in the Second Federal Reserve District.

Pursuant to section 36:1-1 of the Revised Statutes of New Jersey, as amended effective Feb. 24, 1947, Saturdays are treated and considered as public holidays in New Jersey for all purposes whatsoever as regards the presenting for payment or acceptance, and of the protesting and giving notice of dishonor, of bills of exchange, bank checks and promissory notes. In the case of cash items drawn on or payable at members of the Northern New Jersey Clearing House Association, credit which would otherwise be given by our head office on a Saturday prior to April 5, 1947, will be given on the next succeeding business day; and our head office and Buffalo Branch will defer for an additional business day i.e., for three business days after receipt, credit for cash items drawn on or payable at other New Jersey banks located in the Second Federal Reserve District which are received by us on Fridays prior to April 4, 1947.

Your attention is called to the fact that Saturday bank closings will in many instances result in delay in the presentation of items and in the advice of dishonor and return of unpaid items."

### Maritime Bill Signed

Legislation under which the Maritime Commission is authorized to continue to operate shipping vessels until July 1 received the signature of President Truman on Feb. 26, according to an Associated Press dispatch from Washington.

## House Passes Bill to Ban Portal Pay Senate Bill Returned to Committee

Pending and future portal pay suits would be banned under legislation which was passed by the House of Representatives on Feb. 28 by a vote of 345 to 56, and sent to the Senate. The portal-to-portal pay claims, which the measure is designed to bar, now amount to \$5,785,000,000. The bill was approved by the House Judiciary Committee on Feb. 21, at which time the Associated Press, in stating that the measure would virtually outlaw all such claims, added:

The bill would also let employers advance as a defense against claims the contention that they acted in "good faith." They could offer it in controversies involving the wage-hours, Walsh-Healy and Bacon-Davis acts.

The Walsh-Healy and Bacon-Davis acts establish working standards which must be observed on Government contracts. The burden of proof in claiming "good faith" would rest with the employer.

Representative Michener (R.-Mich.), the Chairman, said the Committee approved the bill "by a very large majority." Questioned further, he said that there was not a formal vote—"not even a show of hands."

Under date of Feb. 28, in reporting the House action, the Associated Press advices, as given in the New York "Sun" had the following to say:

In the first action of the new Republican-dominated Congress on a major labor bill, the House rebuffed all efforts to amend the measure.

Action came after numerous speakers declared the wave of portal suits, following the Supreme Court Mount Clemens Pottery decision, threatens the stability of the nation's economy and the Federal Treasury itself.

The bill in effect overturns the Supreme Court interpretation of what is work time for which employers must pay under the wage-hour law. The court decision opened the way for workers to sue for pay for time not actually spent in productive work.

Beaten back were two motions to increase the statue of limitations fixing the time which suits may be brought against employers under the nation's minimum wage and hour laws.

The House also rejected an amendment designed to narrow the grounds under which an employer could plead good faith as a defense in minimum wage suits.

A similar bill was approved on Feb. 24 by the Senate Judiciary Committee by a vote of 9 to 3.

The Senate Committee's bill, substantially approved a week earlier by a subcommittee, as indicated in advices to the "Wall Street Journal" from its Washington bureau, proposes to:

1. Invalidate pending and future back portal pay suits, unless they are consistent with work contracts or historical practice and custom within the industry involved.

2. Provide that, if the first method of invalidation is held unconstitutional, employees individually or collectively must file their own suits. Wage demands could not be filed by any employee representative who did not have an interest in the claim.

3. Set a two-year statute of limitations on all suits filed under the wage-hour law. (The pending House bill provides a one-year limitation.)

4. Permit out-of-court settlements of valid portal pay claims. This would annul a Supreme Court decision which held that wage claims may not

be compromised for less than the amount to which employees are entitled under the wage-hour law.

The following Associated Press account from Washington, Mar. 3, appeared in the New York "Journal of Commerce" of Mar. 4.

The Senate's bill to wipe out nearly \$6,000,000,000 in suits for portal-to-portal pay was returned to committee today for some finishing touches.

Chairman Wiley (Rep., Wis.) of the Judiciary Committee, obtained unanimous consent to recall the bill. He told reporters the action was requested by Senator Donnell (Rep., Mo.), who headed the subcommittee which drafted the bill.

### Year-Round Closing Of Boston Res. Bank

The closing of all commercial banks in Boston on Saturdays beginning March 8 was recommended on Jan. 31 at a special meeting of officials of member banks of the Boston Clearing House Association and other local bank executives. The Boston "Herald" of Feb. 1 in reporting this said:

The action was taken following the signing by Gov. Bradford of the recently-enacted bill permitting Massachusetts banks to close on Saturday on year-round basis.

Meanwhile, Kenneth McDougall, Executive Manager of the Savings Bank Association of Massachusetts, announced that savings banks will remain open Saturdays for at least another month until a uniform policy has been adopted in the various areas.

The Federal Reserve Bank of Boston has announced that it will remain closed on Saturdays, beginning March 8, pursuant to the provisions of the act, approved January 30 permitting such closing.

The New York Federal Reserve Bank in advices Feb. 11 to banks in its District bearing on the action of the Boston Reserve Bank stated that it had been advised that the Massachusetts law "provides that all acts, authorized, required or permitted to be performed at, or by, or with respect to, any bank in Massachusetts on a Saturday, may be performed on the next succeeding business day."

In his advices in the matter, Allan Sprout, President of the New York Reserve Bank added:

Accordingly, on and after March 8, 1947, pursuant to our time schedules, credit which would otherwise be given on Saturday for cash items forwarded for collection to the Federal Reserve Bank of Boston will be given on the next succeeding business day; and Saturday will not constitute a business day in determining the time when credit will be given for deferred-credit items drawn on banks located in the First Federal Reserve District.

In view of the fact that the Federal Reserve Bank of Boston will, and other banks in Massachusetts may, remain closed on Saturdays, there may be a delay in the return of many dishonored cash items and in our advice to you of the non-payment of such items.

### L. W. Douglas Named Ambassador To Britain

President Truman on Feb. 26 nominated Lewis W. Douglas, one-time Director of the Budget and since 1940 President of the Mutual Life Insurance Co. of New York, to be Ambassador to Great Britain, Associate Press Washington advices stated. Although selection of Mr. Douglas was said to have come as a surprise, it is regarded with favor in official circles, and Chairman Vandenberg (R.-Mich.) of the Senate Foreign Relations Committee, which will pass on the appointment, said in his comment, "Mr. Douglas is totally qualified for the high responsibilities which he will assume."

Mr. Douglas himself expressed surprise at his nomination, but said that he accepted the appointment because he considered it a great honor and "a duty." He takes the post to which O. Max Gardner, former Governor of North Carolina, was bound when he died suddenly in New York just before sailing. Mr. Gardner's death was noted in our issue of Feb. 20, page 1057.

Mr. Douglas, a native of Arizona, who is 52 years of age, has served as, to quote from the Associated Press:

A soldier in France in World War I, a State Legislator, member of Congress, Director of the Federal Budget, a lend-lease expeditor in London in World War II, and Deputy War Shipping Administrator.

In part the Associated Press accounts from Washington Feb. 26 also said:

He also took a two-year turn (1938-39) as Vice-Chancellor of Canada's McGill University, where he had a close-up opportunity for studying the British commonwealth.

While it took a world war to bring Mr. Douglas and President Roosevelt back together after their 1934 break on spending and their 1940 differences on the third term, they got along amicably in the end.

Mr. Douglas was a 38-year-old Congressman when Mr. Roosevelt was first elected. He resigned on the day Mr. Roosevelt took office, March 4, 1933 and became Director of the Budget.

In this post he was given authority to cut down on Government spending. But in 1934, "pump priming" was the Government's policy for fighting the depression and Mr. Douglas couldn't go along with this theory of heavy spending. He resigned in August, 1934, and afterward opposed the New Deal as leading toward inflation and dictatorship.

In 1940, Mr. Douglas supported Republican Wendell L. Willkie for President. He fought a third term for Mr. Roosevelt on the grounds it was an "attempt, encouraged and supported by the most powerful political machine in all American history, to continue the same personnel in responsible positions of public power, even in the White House itself, beyond the allotted two-term period."

Aid for Britain brought Mr. Douglas and Mr. Roosevelt back on a common footing and a few weeks after Pearl Harbor the President ordered Mr. Douglas to London to hurry the flow of American weapons, food and equipment.

## The State of Trade

Industrial production for the country as a whole last week held at the very high levels attained in recent weeks with output above or close to postwar peaks. Heavy snowstorms and extreme cold weather in many eastern sections hampered outdoor work. It was reported that the increased use of gas for home heating purposes curtailed the supply of gas available to industry.

As for employment, it is noted that in the week ended Feb. 15, total continued claims for unemployment compensation dropped almost 2% to the lowest level reached in any full week in 1947, while initial claims rose less than 1%.

In the automotive field, production of cars and trucks reached a new postwar high last week, according to Ward's Automotive Reports, which placed output at 104,802 units. This compared with a revised figure of 103,400 units in the preceding week.

Output for the same week a year ago was 17,575 and 126,550 for the corresponding period in 1941.

A breakdown of last week's total shows 71,019 passenger cars and 29,258 trucks built in United States plants and 2,685 and 1,840, respectively, in Canada.

Preliminary figures for February production in the United States are 264,659 passenger cars and 11,397 trucks. Canada's production is estimated at 10,905 cars and 7,475 trucks, making a total for both countries of 395,436 for the month.

For last week the supply of durable goods continued to increase despite delayed shipments resulting from freight car shortages. In the case of some electrical appliances and housewares the backlog of orders remained huge.

At gift, houseware and hardware shows in New York, Boston and Detroit, the past week, new order volume was low, while attendance was high but below previous peak levels. It was also noted that buyers exhibited a conservative attitude toward placing orders at present prices in many wholesale markets.

A release from the Association of American Railroads reveals the past week that based on advance reports from 87 class I railroads, whose revenues represent 81.6%

of total operating revenues, estimated railroad operating revenues in January, 1947, increased 6.5% above the same month of 1946. This estimate, it was pointed out, covers only operating revenues and does not touch upon the trends in operating expenses, taxes, or final income results.

Estimated freight revenue in January, 1947, was also greater than in January, 1946, by 21.2%, but estimated passenger revenues decreased 39.5%.

Heavy snowstorms in the Eastern section of the country and a general lull in consumer purchases throughout the nation resulted in a noticeable decline in total retail volume the past week.

There was a continued improvement in the supply of many previously scarce items. Buying was light and consumers continued to maintain their cautious attitude.

Wholesale volume declined fractionally in the week as adverse weather delayed shipments and hampered travel. Mail and telephone orders were numerous and total order volume was moderately above that of a year ago.

Food volume was very high and prices of some commodities rose perceptibly. Attendance at some wholesale durable goods shows was high but buyers were reticent to place large orders at prevailing prices.

**Steel Industry**—The U. S. Steel Corp. and the United Steel Workers of America last week began an initial approach to the wage question and other economic factors to be included in the final contract, according to The "Iron

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## As We See It

(Continued from first page)

At the end of the detailed report on conditions in Germany, Mr. Hoover adds that "It may come as a great shock to American taxpayers that, having won the war over Germany, we are now faced for some years with large expenditures for relief for these people. Indeed, it is something new in human history for the conqueror to undertake.

"Whatever the policies might have been that would have avoided this expense, we now are faced with it. And we are faced with it until the export industries of Germany can be sufficiently revived to pay for their food. The first necessity for such a revival is sufficient food upon which to maintain vitality to work."

### Beyond the "First Necessity"

There can be no doubt, of course, that the "first necessity," or at any rate, a "first necessity," is "sufficient food," but the really serious tragedy in this whole matter is that all too many of us have refrained from going vigorously beyond the "first necessity" in our analysis of this situation. We are confident that Mr. Hoover has made no such mistake, but there is not very much in his report now made public to help in the elimination of that infirmity from the thought of the great rank and file, which will in the end direct and control the policies of this country *vis-a-vis* all these European and Asiatic problems. We can only hope that further observations which he says he will presently hand the President will make amends for this short-coming of the first report.

There were doubtless good "reasons of state" which prevented Mr. Hoover from making plain, blunt statements of two fundamental facts essential to any understanding of the present situation or any intelligent planning of the future, but there is every reason in the world why they should be called to the attention of the American people by any and all who are not under the restraints which the ex-President felt it necessary or wise to impose upon himself. These facts, in brief, are:

1. The extremities of the catastrophic situation so eloquently set forth by Mr. Hoover are the results of policies imposed by the conquerors upon the conquered, and unless those policies are radically altered it may be questioned whether the German people can ever within the foreseeable future gain a position of self support—certainly not a position sufficiently comfortable to prevent political chaos in the heart of Europe.

2. When the whole situa-

tion is carefully studied and dispassionately appraised, the conclusion is almost inescapable that the force behind the apparently very general feeling in well informed circles in this country that we shall have to "stay" and "see this thing through to the bitter end" is less a fear of a recrudescence of German militarism or German aggression than a want of confidence, or any basis for confidence, that Russia will not push her expansionist and aggressive foreign policy to the point, first, of gravely endangering the British Empire, already in distress, and then of colliding with the interests of the United States.

### Let Us Reconsider

In addition, therefore, to any direct relief which may be necessary to prevent mass starvation in the months immediately ahead, or, for that matter, in the year or two immediately ahead, the American Government (for which read the American people) must, first of all, completely alter its rather hastily adopted notion that the basic nature of the German economy must be altered in order to prevent preparation for another war of aggression. German industry through the decades, despite some modification at the behest of the militarists, had on the whole developed in response to natural conditions and thus had "planlessly" applied itself to those pursuits to which it was best suited by nature. Limitations, restrictions, or controls which doom Germany to pursuits which are relatively unrelated to the manufacture of modern armament would condemn the country to economic impotency in perpetuity.

As Mr. Hoover himself incidentally points out in his report, moreover, "punishment" meted out to "Nazis" whom we hopefully expect to "convert" is robbing the German people of a substantial part of the vital assets they need to become self-supporting.

Of course, this situation is further complicated by the division of Germany into "zones." All experience dictated at the beginning that this be avoided this time, but it was not. Newly acquired experience has now again shown how difficult it is to reach any sort of unified administration and consistent policy applying throughout Germany under such conditions. In particular, Russia is a thorn in the side of any promoter of unified and cooperative policy in Germany. Next to Germany itself the United States of America appears to be expected to bear the burden of all this nonsense. We, therefore, have the largest,

and what ought to be the most influential, voice in demanding a change of tactics and of policy. Some of us had hoped that possibly one of the main purposes of the Hoover mission was to place these vital facts effectively before the American people.

### Russia and the World

Of course, the problem posed by Russian policy is much broader than any questions which have to do simply with Central Europe, or, for that matter, all of Europe. In the Near and Middle East, to say nothing of India and surrounding areas, it takes on a definitely disturbing aspect. In the Orient, whether it be China, Japan or the other adjoining areas, the Russian question is eternally kept to the fore. It would be absurd to suppose that Russia, no matter what her policy or attitude, is threatening or could directly threaten the United States. She is, however, day and night pressing forward. There is good reason for the uneasiness in Britain about it all, and, once again, Americans are inclined to the view that we must take up the "burden" of the British Empire at least in substantial part.

For our part, we hope that the entire matter will be studied much more carefully before we are too deeply committed.

## House Group Finds Marshall Optimistic

After a two-hour closed session with the House Foreign Affairs Committee on Feb. 18, Secretary of State Marshall was reported by members to have appeared "optimistic on the whole" over prospects for maintaining peace, Associated Press advises reported from Washington. Mr. Marshall was said to have reviewed the world's "sore spots" for the Committee, and Chairman Eaton (R-N.J.) later told reporters that the Secretary of State's visit had been the basis of a "very exhaustive and interesting session."

From the Associated Press advises from Washington, Feb. 18 we also quote:

Secretary Marshall, informed persons said today, also assured the Committee that he would review United States policy in Latin America when he returned from Moscow. Informants in a position to know said General Marshall told the Committee that he had not had time since becoming Secretary of State to study United States relations with the other American republics.

These informants said Secretary Marshall promised a "full careful and thorough survey" of United States policy toward Argentina. The Secretary of State was quoted as saying he planned to formulate a new "Marshall policy" of relations with the Governments of the Americas.

### Surplus Inquiry Funds

A resolution to grant the Senate Expenditures Committee \$100,000 for investigation of the Government's disposal of surplus property was approved by the Rules Committee on Feb. 19, Associated Press Washington advises reported.

## Truman Sends Service Merger Bill to Congress

President Truman sent to Congress on Feb. 26 the draft of a bill to unify the armed forces, and accompanied it by a letter which stated according to Associated Press Washington advises: "It is my belief that this suggested legislation accomplishes the desired unification of the services and I heartily recommend its enactment by the Congress."

Entitled, "National Security Act of 1947," the proposed legislation

would set up a national defense establishment, under a civilian Secretary of National Defense with Cabinet rank, and bring under the defense establishment equally important departments of the Army, Navy and Air Force. Each of the three branches would have a Secretary to direct its activities as an individual unit, and these three secretaries, in turn, would operate under direction of the Secretary of National Defense, with only the last named having Cabinet rank. Clark M. Clifford, the President's special counsel, who completed the draft of the measure, was said to have first consulted at length with the Secretaries of State, National Defense, Army, Navy, Air Force and the chairman of the National Security Resources Board.

(6) A National Security Resources Board to advise the President on co-ordination of military, industrial and civilian mobilization.

(7) A Central Intelligence Agency which would take over the functions of the current National Intelligence Authority.

Under the legislation, the Secretary of National Defense in line of succession to the presidency would replace the Secretary of War, currently fourth on the list behind the Vice-President, and Secretaries of State and the Treasury.

## Miller Vice-President Of Nat'l. Assn. of Mfrs.

Kenneth R. Miller, Treasurer-Business Manager of the National Association of Manufacturers, has been appointed Vice-President in charge of member relations effective immediately, it was announced on Feb. 23 by Walter B. Weisenburger, NAM executive Vice-President. Mr. Miller succeeds Byron Shimp, who resigned to return to the field of public relations and financial counsel for educational and philanthropic organizations. John C. Bosted, Assistant Treasurer, was appointed Acting Treasurer.

In 1926, Mr. Miller began a 15-year career in life insurance sales management and association work, and in 1941 was named managing director of the National Federation of Sales Directors. With the organization of WPB in 1942, Mr. Miller joined the staff as management-engineer, and the following year went to NAM as assistant to the Executive Vice-President.

This joint command would act as principal military adviser to the President and the Secretary of National Defense, preparing strategic plans and providing for strategic direction of the military forces.

While the Secretaries of the Army, the Navy and the Department of the Air Force would function under the overall direction of the Secretary of National Defense, the legislation provides that any of the three may appeal directly to the President, after informing the National Defense Secretary of any matter he wishes to take up with the White House.

Other provisions of the legislation include:

(1) Creation of a War Council made up of the Secretary of National Defense, as chairman, with power of decision; the secretaries of the Army, the Navy, the Air Force, the Chief of Staff of the Army, Chief of Naval Operations and Chief of Staff of the United States Air Forces.

(2) A Joint Staff, under the Joint Chiefs of Staff, to be made up of not exceeding 100 officers to be drawn in equal numbers from the Army, Navy and Air Force, operating under a director to be appointed by the Joint Chiefs of Staff.

(3) The establishment of a Munitions Board to co-ordinate industrial procurement, production and distribution, including standardization of specifications and to prepare estimates of potential production, procurement and personnel. This board would

determine priorities for the military procurement programs.

(4) A Research and Development Board to advise the National Defense Secretary on scientific research for military programs.

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Chairman of Three NAM Committees

Chairmen of three principal committees of the National Association of Manufacturers have been reappointed to serve during 1947, it was announced on Feb. 21 by Earl Bunting, President of NAM. The chairmen are:

E. A. Converse, Jr., Secretary, Belknap Hardware & Manufacturing Co., Louisville, Ky., Tax Administration Committee; Clarence B. Randall, Vice-President, Inland Steel Co., Chicago, Industrial Relations Program Committee; H. E. Humphreys, Jr., Chairman Finance Committee, U. S. Rubber Co., New York, Government Finance Committee.

## Steel Output Maintained at High Postwar Level—Car Shortage Cuts Shipments to Users

Further increases in basic metals this week featuring nonferrous metals, iron and steel scrap and pig iron, definitely point up an inflationary period overshadowed only by temporary periods during and shortly after World War I, according to "The Iron Age," national metalworking paper, which in its issue of today (March 6) states as follows:

"Pig iron prices this week were raised as much as \$2.50, \$3.00 and \$4.00 a ton depending on the grade and the producer. Some makers advanced the price \$3.00 a ton on all grades, others raised quotations \$2.50 a ton on some types and \$3.00 on others, while at least one pig iron producer advanced his prices \$4.00 a ton. Some makers have not taken any action as yet but it is certain that they too will advance their quotations.

"The Iron Age" pig iron composite price this week moved from \$30.15 a gross ton to \$32.23 a gross ton up \$2.08 a ton. A further advance in the composite is expected next week after other makers take price action. In 1920 "The Iron Age" pig iron composite averaged \$42.76 a gross ton with a peak of \$47.83 a ton reached in July of that year. In 1939 the composite was \$21.19 a ton and during the war years when controls were in effect the average price of pig iron was \$23.61.

"The iron and steel scrap market situation this week is in its most chaotic state in steelmaking history. Buyers and sellers alike appear to have lost their perspective and are openly admitting that scrap prices are entirely out of control.

"The air is full of charges and counter charges as to the responsibility for zooming prices. According to authoritative sources within the steel industry itself it is now privately admitted that the bitter competition for material at some distance from the steel mills has contributed primarily to the snowballing effect in higher prices. Some sources fear that quotations may go higher before a reaction sets in and point to the supporting factor of an anticipated high steel operating rate for some months to come.

"As the result of a realistic policy in recognizing delivered prices of scrap to consumers regardless of the origin, practically all Iron Age markets reflect higher scrap prices this week. The composite price, which is an average of Pittsburgh, Chicago and Philadelphia heavy melting scrap quotations, moved up this week from \$34.08 a gross ton to \$36.67 a gross ton, and advance of \$2.59 a gross ton.

"In June, 1917 "The Iron Age" composite price for scrap hit \$37.21 a gross ton and in other periods around that time, some isolated sales of heavy melting steel were made at close to \$50 a ton. In 1939 the average price of scrap was \$16.39 a ton and during the war the controlled price reflected a composite for steel scrap of \$19.17 a ton. Actual payments during the latter period, however, were higher due to bringing scrap in from distant points.

"Nonferrous metals prices have reached new peaks with copper at 21.50¢ a lb., exceeded only by highs of nearly 24.00¢ a lb. in 1929 and 1919 and 37.00¢ a lb. in 1917. Lead at 15.00¢ a lb. is at an all-time high, approached only in 1917 by the previous high of 12.25¢ a lb. Current prices for these metals have been forced up by the world shortage coupled with unprecedented world demand for reconstruction and civilian production.

"There is evidence that current increases in these metals may be followed up by new price increases in other metals that are in a similar supply-demand position. Such increases may well be expected in tin, antimony, cadmium and perhaps zinc. The present copper price represents an increase of 49.6% over the last OPA-approved price effective un-

til Nov. 10, 1946. The present lead price is increased 81.8% over the last OPA price.

"With neither the United States Steel Corp. or the steel union having met this week to continue discussions on the expected wage increase, it is anticipated that both sides will make some headway when they sit down again next week to discuss economic factors in the coming wage agreement.

"The United States Steel Corp. has approved a bonus of \$250 for each of its 9,500 foremen in the company's basic steel subsidiaries. This remuneration which amounts to \$2,375,000 is already being distributed at some plants and is recognition for the supervisory assistance in the elimination of wage inequalities, a project which has extended over many months."

The American Iron and Steel Institute this week announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 93% of the steel capacity of the industry will be 94.4% of capacity for the week beginning March 3, unchanged from last week when the highest rate was reached since the week of May 14, 1945 when operations were at the rate of 95.3% of capacity. The current week is the fourth consecutive week of postwar production and compares with an operating rate of 93.4% one month ago and 76.7% one year ago. The operating rate for the week beginning March 3 is equivalent to 1,651,900 tons of steel ingots and castings the same as last week, and compares with 1,633,700 tons one month ago, and 1,351,700 tons one year ago.

"Steel" of Cleveland, in its summary of latest news developments in the metalworking industry, on March 3 stated in part as follows:

"Acute freight car shortages and adverse weather are playing havoc with steel producers' efforts to dent the huge order accumulations on their books. Shipments into and out of steel and metalworking plants have been slowed to a walk by lack of cars, while the heavy snowfall over a large section of the nation has disrupted traffic generally, both rail and truck. Metalworking shop shutdowns are reported due to lack of storage space to accommodate abnormal piling of finished goods delayed in shipment.

"In addition, shortages of industrial gas have forced curtailment of steelmaking operations at some producing points, and many metalworking shops have been so pinched they have been forced to furlough thousands of workers temporarily pending resumption of normal gas pressures.

"The slowdown in shipments is accentuating the tight steel supply situation. Sheet producers, for example, report the transportation bottleneck not only is hampering deliveries to consumers, but it is restricting production by limiting receipt of essential raw materials, such as scrap.

"Few companies are able to ship tonnage promptly, and, meanwhile, orders continue to pour in on the mills with demand showing no signs of a let-up. Sheet requirements are expected to out-run production the remainder of this year, possibly longer. Of all major products, bars appears the only item to show any noticeable easing in supply, and even here the situation seems as tight as ever in the smaller sizes.

"Surge of freight car buying features current market developments. At least 15,400 units were

placed in February reflects the concerted efforts to get the projected car-building program going as soon as possible. In support of this program, steel producers last week indicated they would endeavor to supply steel for monthly production of 10,000 cars, instead of the 7,000 recently agreed upon. This proposed change, it is estimated, will require 235,000 tons of steel per month, instead of the 165,000 tons originally scheduled.

"Upping of car steel requirements will be at the expense of other consumers. Should enlarged operations become effective with second quarter it probably will mean a further cutback in quotas to other consuming lines as order books for the products involved already are overflowing. This new burden added to that carried by the mills in the form of ear-marked steel for housing and exports is certain to intensify tight steel supply conditions.

"Steel prices were steady last week. Talk continued to be heard of a likely early increase in pig iron. Carnegie-Illinois Steel Corp. again revised its extra card on hot-rolled sheets and strip from the list issued last December. An advance on heavy melting steel scrap in eastern Pennsylvania lifted Steel's composite price on steelmaking scrap 50 cents to \$34.33. Averages held unchanged on finished steel at \$69.73, on semi-finished steel at \$52.10, and on steelmaking pig iron at \$29.56."

### Indicates Acheson Matter Closed

That the diplomatic incident caused by testimony of Under-Secretary of State Dean Acheson before the Senate Atomic Energy Committee was closed and that he would not reply to the second Soviet protest was indicated on Feb. 25 by Secretary of State Marshall, according to special Washington advices on that day to the New York "Times." On Feb. 18, in reply to a protest by Soviet Foreign Minister Molotov against a statement by Under-Secretary Acheson—which was said to have described Russia's foreign policy as aggressive and expansionist—Secretary Marshall in a formal note to the Soviet Union rejected the protest and upheld Mr. Acheson in his statement, according to Associated Press Washington advices. The Under-Secretary's remarks were made in response to the committee's questioning, Mr. Acheson stating, according to a transcript of the proceedings quoted by the Associated Press: "I am quite aware of the fact that Russian foreign policy is an aggressive and expanding one." Mr. Molotov it is said had objected to the "inadmissible behavior" of Mr. Acheson in making a declaration which Moscow called "a gross slander and hostile to the Soviet Union."

Secretary Marshall in his reply to the Soviet Union defended Mr. Acheson as having spoken "in line of duty," and explained that in his appearance before the Committee the Under-Secretary had acted pursuant to this country's Constitutional system of Government. "Under our standards," Mr. Marshall told Mr. Molotov, "a restrained comment on a matter of public policy is not a slander. Therefore, I know that on second thought you will not attribute hostility to frankness."

In London Associated Press advices Feb. 22 it was reported that the Moscow radio Saturday night (Feb. 22) said the Soviet Union had reiterated its displeasure with statements attributed to Mr. Acheson in a second note from Mr. Molotov to Mr. Marshall. The advices by the latter, indicated above, to the effect that the incident had been closed, followed on Feb. 25.

### Senate Group Approves Revised Rent Control

A Senate Banking sub-committee on Feb. 25 approved legislation embracing new rent-control proposals, which would include transfer of all controls now remaining with the Office of Price Administration to the courts, except in states where an enforcement system is established, decontrol of new construction and newly reconditioned rooms, and a general 10% increase in ceilings. Although

(9) Transfer of rent records and files to the Department of Commerce, where they would be made accessible to the courts, tenants or landlords.

(10) Make the bill effective the first day of the first month after its adoption.

(11) Exempt the District of Columbia from the provisions of the bill. This area has its own rent control law.

(12) To require continuance of present services for which the tenant was paying last Dec. 31.

According to Associated Press advices from Washington on Feb. 28, President Truman reaffirmed his stand for continued rent control on that day but left in doubt whether he will approve or veto the proposed 10% increase. These advices added:

He denied vigorously, however, making and "deal" with Senator Hawkes (R.-N.J.) by which he would accept the 10% boost in return for continuation of the controls themselves, telling his news conference he makes no deals with anyone and acts on legislation strictly on its merits as it comes to him from Congress.

A month before, replying to congressional advocates of rent control repeal, President Truman on Jan. 23 stated emphatically that although responsibility rests with Congress he was in favor of continuing controls on rents throughout the country.

### Retail Store Sales at \$97 Billion in 1946

December sales of retail stores are estimated at \$10,280,000,000 bringing the yearly total to \$97 billion, the Office of Business Economics, Department of Commerce, said on Feb. 13. Sales in December according to the Department were 20% above December 1945 and after seasonal adjustment only slightly below the November all time high. The Department further reported:

"Retail store sales in the fourth quarter of 1946 totaled \$28 billion, an increase of 5% from the third quarter after allowance for seasonal factors. This gain was due entirely to price increases. After adjustment for price changes the sales volume was at about the third quarter level.

"Sales of non-durable goods stores were \$22 billion in the fourth quarter, 17% above the fourth quarter of 1945 and 4% above the third quarter of 1946 after seasonal adjustment. Sales of durable goods stores continued the sharp advance in progress

since V-J Day. Fourth quarter sales amounted to \$6 billion, 60% above the fourth quarter of 1945 and 8% above the third quarter of 1946 after seasonal adjustment.

"For both apparel and general merchandise stores sales during the fourth quarter of 1946 failed to equal the third quarter levels. High price lines and luxury products in particular sold less readily in the fourth quarter than formerly. The year closed with many stores launching clearance sales in an effort to realign inventories. The fourth quarter dollar volume of sales for apparel stores was 10% above that of the same period a year ago. General merchandise store sales were up more than 20%, and food store sales were up 25%.

"Despite higher prices and increased population, sales at eating and drinking places in the fourth quarter were only 6% above those of the same period of 1945. The average year-to-year gain for the first three quarters was 13%. After seasonal adjustment, sales at eating and drinking places were 5% above the third quarter.

"Drug store sales in the fourth quarter of 1946 were 12% higher than in the same period of 1945 and filling station sales were up 18%. In both cases sales after seasonal adjustment were above those in the third quarter.

"In the automotive group fourth quarter 1946 sales were 125% above fourth quarter 1945 and 15% higher than those in the third quarter of 1946 after seasonal adjustment. However, the dollar volume of sales in the fourth quarter of 1946 was still 8% below the peak established in 1941. Sales of both the home furnishing and building material and hardware groups continued at high levels in the fourth quarter 1946. As compared with the same period of 1945, home furnishing sales were up 55% and hardware sales were up 37%.

"The only durable goods group showing a declining trend in the fourth quarter sales was jewelry stores. Sales in the fourth quarter 1946 fell 7% below those of the third quarter after seasonal adjustment. The decline reflected to some extent the decreasing demand for certain types of luxury products."

## Hoover Reports on Germany

(Continued from first page)  
mately 9,000,000 above that in 1939.

The skilled manpower and the ratio of working males in the population have been greatly affected by the war. For the whole of Germany, it is estimated that 5,700,000 were killed or permanently injured. It is also estimated that over 3,000,000 prisoners of war are held in work camps in Russia; 750,000 in France; 400,000 in Britain, and 40,000 in Belgium. The detention of large numbers of skilled Sudeten German workmen in Czechoslovakia bears on this problem.

As applied to the American and British Zones, this represent a present subtraction of over 6,000,000 of the most vital and most skilled workers in the population. Likewise, the 90,000 Nazis held in concentration camps and the 1,900,000 others held under sanctions by which they can only engage in manual labor naturally comprise a considerable part of the former technical and administrative skill of the country, and the restrictions upon them, however necessary, add to administrative and industrial problems.

One consequence of these distortions is that in the age groups between 20 and 40 there are 6 men to 10 women, and in the age group between 40 and 60, about 7 men to 10 women. Thus, there are in these groups between 6 and 7 million more women than men. The results upon productive power are bad enough, but the consequences to morals are appalling.

### Housing

The housing situation in the two zones is the worst that modern civilization has ever seen. About 25% of the urban housing was destroyed by the war. Therefore, 25% of the urban population must find roofs from among the remaining 75 per cent, in addition to all the destitute "expellees" and other groups brought in. There has been little repair of damaged houses, due to lack of materials and transportation. The result of all this is that multitudes are living in rubble and basements. The average space among tens of millions is equivalent to between three and four people to a 12 ft. by 12 ft. room. Nor is the overcrowding confined to urban areas, for the "expellees" have been settled into every farm house. One consequence is the rapid spread of tuberculosis and other potentially communicable diseases.

### Coal

The shortage of coal is, next to food, the most serious immediate bottleneck to both living and the revival of exports to pay for food. The Ruhr, which is now almost the sole coal supply of the Anglo-American Zones, is, due to lack of skilled men and physical vitality in labor, producing only 230,000 tons per day, as against a former 450,000 tons per day. Of the present production, a considerable amount must be exported to surrounding nations which are also suffering. The shortage leaves the two zones without sufficient coal for transport, household and other domestic services, with little upon which to start exports in the industry.

The coal famine all over Western Europe and the unprecedented severity of the winter have produced everywhere the most acute suffering. As an example in Germany, no household coal has been issued in Hamburg since October. Other German cities have been but little better off.

### Agricultural Production

It must be borne in mind that about 25% of the German pre-war food production came from the areas taken over by Russia and Poland. Moreover, the Rus-

sian Military Zone in Germany was a large part of the bread basket of Germany. Some millions of tons formerly flowed into the American and British Zones from these areas. These sources now contribute nothing.

The British and American armies and civilians are entirely fed from home. The large Russian army is fed upon their zone.

Due to a lack of fertilizers, good seed, farm implements and skilled labor, the 1946 agricultural production in the American and British Zones was about 65% of pre-war. A generalized appraisal indicates that in the American Zone the harvest of 1946 yielded a supply, beyond the needs of the farmers (self-suppliers) equal to about 1,100 calories per day for the "non-self suppliers." The similar supply in the British Zone was about 900 calories per day average to the "non-self suppliers." These amounts contrast with 3,000 calories of the pre-war normal German consumption.

With the efforts being made to improve agricultural production, there is an expected small increase from the harvest of 1947, especially in potatoes (if better seed is provided in time). The steps which I recommend, however, should show greater production from the 1948 harvest.

### Food Distribution

This terrible winter, with frozen canals and impeded railway traffic, has rendered it impossible to maintain even the present low basis of rationing in many localities. The coal shortage and the consequent lack of heat, even for cooking, has added a multitude of hardships. The conclusions in this report as to the food situation are, however, not based upon the effect of this temporary dislocation, but upon the basic conditions, to which the winter has added many difficulties.

From the food point of view, the population of the combined zones has been divided as below, based upon the German census undertaken last autumn. The table must not be regarded as precise for the different groups, as the Berlin Sector was not distributed on the same basis as others. It is, however, accurate enough for food computation purposes.

"Self-Suppliers," i. e. farmers and their families	7,640,000
"Non-self Suppliers," i. e. urban population:	
Prospective and nursing mothers	660,000
Children 0-6 years of age	3,070,000
Children 6-15 years of age	4,495,000
Adolescents, 15-20 years of age	2,100,000
"Normal Consumers," 20 years up	17,910,000
Moderate hard workers	2,500,000
Heavy workers	1,910,000
Extra heavy workers	720,000
Displaced persons	680,000
Total population, two zones	41,685,000

The base ration is 1,550 calories per person per day to the "normal consumer" group, with priorities and supplements, as the situation requires or permits, for other groups. For instance, milk and fats are given in priority to nursing mothers and children up to six years of age; more food, including more meat, is given in supplement to hard workers, etc.

This basic ration for the "normal consumer" compares with the minimum temporary maintenance food intake recommended for "normal consumers" by eminent nutritionists, as follows:

	Present German	Recommended Minimum	Deficiency
Carbohydrates	283 grams	335 grams	16%
Fats	24 grams	45 grams	47%
Protein	52 grams	68 grams	20%
Calories	1,550	2,000	24%

Thus with the deficiency in quantity and in fats, protein and other nutrients, the 1,550 ration is

wholly incapable of supporting health of the groups, which do not have supplements.

### Nutritional Condition of the Population

The nutritional condition of the above different groups, irrespective of the immediate consequences of the hard winter, are:

(a) The 7,640,000 self-suppliers are, naturally, in good condition.

(b) The supplements and priorities in special foods given to 3,730,000 prospective and nursing mothers, and children under six years of age, appear to be enough to keep them in good condition.

(c) Over half of the 6,595,000 children and adolescents, especially in the lower-income groups, are in a deplorable condition.

Their situation is better in limited localities where school feeding has been undertaken but outside these limits stunted growth and delayed development is widespread. In some areas famine edema (actual starvation) is appearing in the children. A study of groups of boys between the ages 9 and 16 years showed 5.5 lbs. under minimum standard weights, with girls 5.1 lbs. below such standard. Other groups studied showed even worse conditions.

(d) A considerable part of the "normal consumer" group of 17,910,000 is likewise in deplorable condition.

This group comprises the light physical workers and is in large majority women and many are aged. Some portion of this group are able to supplement the 1,550 calorie ration by purchase of some supplies from the black market, from the free markets in the vegetable seasons, and from package remittances. Some part of this group are too poor to purchase even the 1,550 calorie ration.

In any event, a large part of the group shows a steady loss of weight, vitality and ability to work. A study in the British Zone shows urban adult males over 19 pounds and females nearly 5 pounds under proper weight. A study in the American Zone showed from 5 to 20 pounds under proper weight. Famine edema is showing in thousands of cases, stated to be 10,000 in Hamburg alone. The increased death roll among the aged is appalling. In persons over 70, in three months last autumn the increase was 40%.

(e) While the workers' rations, due to supplements, are perhaps high enough in themselves, yet the universal tendency is for the worker to share his supplement with his wife and children, and therefore it does not have its full effect in supplying energy for the worker himself.

(f) The 680,000 Displaced Persons are about one-third in the British Zone and two-thirds in the United States Zone. In the British Zone they receive the German ration only. In the United States Zone they receive supplements which amount to 700 calories per day, so there can be no doubt as to their adequate supply in that area. In fact, the American ration is above the "normal ration" of the other nations on the Continent, except the former neutrals.

These nutritional conclusions are based upon surveys made by Dr. Wm. H. Sebrell, Jr., of the United States Public Health Service, who was a member of my Mission. At my request, he also visited Italy, France, Belgium, Holland and Britain, to study the comparative nutritional situations of these countries with that of Germany. He reports that the nutritional condition in those countries is nearly pre-war normal, while the special German groups that I have mentioned are not only far below the other nations but disastrously so.

### A New Program

The Anglo-American bi-zonal agreement of last autumn calls for

an increase of rations by 250 calories per day at some undetermined date. Such an increase is highly desirable. However, the world shortage in cereals, evidenced by the early reduction of bread rations in several other nations, renders such an increase impossible until after the harvest of 1947. Such a program also implies increased import supplies which, in terms of grain, would add 1,260,000 tons and \$136,000,000 annually to costs, above the already huge burden upon the taxpayers of our two nations.

As the present base of 1,550 calories for "normal consumers" is not enough to maintain health in many children or health and working energy in many adults, I propose a different program.

This new approach is to repair the weakest spots in the nutritional situation, I believe that this method will accomplish the major purpose of the proposed general increase in ration as nearly as can be accomplished within the limits of available supplies and finances for the remainder of the fiscal year 1946-1947.

In many ways, I believe it is a better program, and if this method proves a successful remedy during the next few months, it may modify the necessity of so large an increase in imports in the fiscal year 1947-1948 as has been proposed under the bi-zonal agreement.

There are two groups to which this repair of weakness should be given quickly:

First are the children over six years of age and the adolescents. The number of this group who are under-nourished is estimated to be about 3,500,000 or more than 50%.

To cover this group and assure that the food reaches the child, the British in their zone, aided by the Swedish and other charities, are giving a small ration in certain schools. There is no systematic school feeding in the American Zone. A system of soup kitchens to provide a hot meal of appropriate body-building foods (meat, fats, milk, etc.) of at least 350 calories daily is imperative for the children in the worst areas of the combined zones, if a future Germany of wholesome character is to be created.

In order to start this system at once, I recommend using the Army surplus 10-in-1 rations, now enroute, and certain excess stocks not adapted to Army feeding and now in control of the American Occupation Forces.

These resources can form the major base of this system for a considerable period. This is the more possible as it is proposed to slaughter during 1947 over 5,000,000 head of cattle, hogs and sheep in order to lessen the animal consumption of ground crops, and a portion of these meats and fats can be applied to this program. These various supplies, together with some minor cereal allotments, should carry the program for six months.

The second group demanding immediate relief is the "normal consumer" group of about 17,910,000 persons, now receiving 1,550 calories per day. I strongly recommend several lines of action.

(a) A certain portion of them should be advanced to the group of moderate heavy workers and receive the supplement applicable to that category. (b) An emergency supply of cereals should be allotted to the German welfare organizations with which to provide a supplement to families in need and the soup kitchens. (c) I recommend that the aged in the "normal consumers" group and others where medically certified, be issued tickets upon the soup kitchens for the meal of 350 calories per day during the school week, to be consumed either at these kitchens or taken home. These supplemental measures will substantially improve, and will at least carry over, the most needy part of this group.

By aid to the children and adolescents, some pressure will be removed from the "normal consumer" group, who naturally tend to cut their own food to help their children.

In support of the above program for children and "normal rations," I have included in the recommended deficiency appropriation an emergency supply of 65,000 tons of cereals. These measures as I have said, are in substitution for the great increase otherwise necessary to import for the proposed program of a lift in the whole ration system by 250 calories.

In addition to these measures, I have included in the sums given below which I recommend to be appropriated for the balance of this fiscal year 1946-1947 an amount necessary for the shipment of 400,000 tons of surplus potatoes from the United States. The object is two-fold.

Due to spoilage during this unprecedented winter, and other causes, there are not enough potatoes by 250,000 tons to cover that portion of the minimum 1,550 calorie ration until the next harvest. Certainly we cannot allow the ration to fall below its already dangerous levels.

Of even more importance, most of the potato seed of our zones normally comes from the Polish annexed area and the Russian Zone and is not available. If we can forward 200,000 to 250,000 tons of good potato seed, with some already in hand, we should be able to assure a yield from the 1947 harvest of 5,000,000 tons, and thereby effect some savings in overseas food imports for the fiscal year 1947-1948.

### Necessary Imports and Finance

The supply and finance of food and collateral relief imports and the development of exports with which ultimately to pay for these imports, has been organized upon the basis of dividing foreign trade into two categories:

Category "A" covers imports of food, fertilizers, and petroleum products for the civil population. This Category is to be paid for by appropriations, and thus one-half of the taxpayers each of the United States and the United Kingdom. It has not been determined whether seeds fall in this group. In my opinion they should be, and I have included them in my estimates of supply and cost which appear below.

Category "B" is under the "Joint Export-Import Agency," who regulate the importation of raw materials and the export of coal, some other raw materials and manufactured products. The organization started with a certain working capital and all exports of coal and other commodities are credited to this fund until the exports exceed the raw material imports, when the surplus will be applied to the cost of Category "A." It is hoped that the export surplus will begin to contribute to Category "A" in the last half of 1948 and cover virtually all the cost in the calendar year 1950.

Therefore, the cost of Category "A" for the balance of the 1947 fiscal year, in which a deficiency appropriation is involved, and the whole of the 1948 fiscal year, will fall upon the taxpayers of America and Britain.

### Cost and Supplies of Category "A" Imports for the Last Half of Fiscal Year 1946-47

The program of supplies and costs to cover Category "A" for the six months from January 1st to July 1st, 1947 will appear large compared to the program given later for the whole fiscal year 1947-1948. The reasons are that imports were unduly low during the last six months of 1946 and the drain on indigenous food unduly large. Also, it is necessary to include the cost of purchases and shipments prior to July 1st so as to provide in June for arrivals in Germany during the pe-

riod July 1st to Aug. 15th, for which appropriations for the 1947-48 fiscal year cannot be available until after July 1st. This works to lessen the burden on the fiscal year following that date. I have, as said, included the allotment of 65,000 tons of cereals to support the "normal ration" group, and the potato imports.

The following is the estimated cost for both zones; for the six months Jan. 1st to July 1st, 1947, in which are included the supplies already shipped for this period:

Cereals (wheat equivalent) 2,-	\$288,000,000
505,000 tons	54,000,000
Other foods, 720,000 tons	17,500,000
Fertilizers	12,500,000
Seeds	12,000,000
Petroleum products (civil population)	
Total	\$384,000,000

The United States contribution of one-half of this is \$192,000,000.

What portion of these expenditures are already covered by appropriations, and what portion must need be covered by deficiency appropriations, is not known to me.

#### Supplies and Costs for Fiscal Year 1947-1948

In considering the supplies and cost of Category "A" for the fiscal year 1947-1948, the supplemental supports I have proposed to strengthen the children, adolescents and "normal ration" group, should undoubtedly carry through these groups until October, especially with the Spring and Summer produce. Therefore, it will not, in any event, be necessary to increase the general ration by the 250 calorie provided in the bi-zonal agreement until that date. It is my hope that the revised methods by which the weak places in the system are strengthened may partially or wholly avoid this necessity after that date. I have, however, provided in the estimates an item of \$62,300,000 for such an increase after October. I have also included in these estimates an enlarged fertilizer and seed program. It is my belief that these latter measures will greatly lighten the burden on our taxpayers in the fiscal year 1948-1949.

The following is my estimate of the supplies and costs needed for the fiscal year 1947-1948 covering Category "A":

Cereals (in terms of wheat) for 1,550 calorie level, 2,-	\$278,500,000
785,000 tons	
Cereals for "normal consumers" emergency supplemental feeding, 192,000 tons	19,200,000
Child feeding program (includes special foods), 130,000 tons	35,000,000
Other foods, 450,000 tons	75,000,000
Fertilizers (available)	45,000,000
Petroleum products for civilian population	27,000,000
Total	25,000,000
Cost of ration increase to 1,800 calories on or about October, 1947	62,300,000
Total	\$567,000,000

of which the United States share of 50% amounts to \$283,500,000.

Due to these changes in method, the above program is different from that submitted by the War Department for the fiscal year 1947-48, but the total cost is no greater.

It is my conviction that these appropriations for Category "A" for both the 1947-1947 and the 1947-1948 fiscal years should have first consideration, even in priority to appropriations for military purposes. The occupational forces cannot be reduced without these assurances of minimum food supply, from the point of view only of maintaining order, the need for these forces is not great, if we can meet the food needs. Their size will depend upon other considerations.

#### Further Savings to the Taxpayers That Can Be Made

There are ways by which these costs could be reduced, although they are not certain enough to be deducted in advance against ap-

propriations which must now be determined.

1. If these changes in rationing program render the general calorie lift unnecessary, there would be a saving of \$62,000,000.

2. If through the 1947 deficiency appropriation the seeds are provided in time, there should be substantial additions to the German potato harvest, in relief of 1947-1948 expenditures. If the fertilizer and seed recommendations for the fiscal year 1947-1948 are accepted, there should be savings by increased indigenous production in the year 1948-1949.

3. There would be savings if prices proved lower and if climatic conditions for the indigenous crops turned out exceptionally favorable.

4. The Potsdam Declaration results in Germany having no consequential overseas shipping. If we could effect some temporary operation by German crews of, say, 75 Liberty ships, now laid up, to transport food and raw materials, all of the expense could be paid by the Germans in marks, except for fuel, and thus save a very large amount of dollars otherwise coming from the American and British taxpayers. This would probably amount to \$40,000,000 per annum.

5. A further saving of possibly several million dollars could be made for the taxpayers if the large American Army return equipment, now being transported at high ocean rates, were sent home on the return voyages of these Liberty ships.

6. There are food surpluses in the control of other nations than ourselves and the British. They comprise possible increased catches of fish in Norway, Sweden and Denmark, which otherwise are little likely to find a market, and some surpluses possible from the South American States. It would seem to me that some supplies could well be furnished by these nations, being repaid as indicated below, pari passu with the British and ourselves.

7. The Germans lost a considerable part of their deep sea fishing fleet. If more such boats could be found and leased from American surplus small shipping, the fish supply could be greatly increased. The fishing grounds in the Baltic and North Seas are being limited against German fishing. As there are ample supplies of fish in these seas, it seems a pity that with this food available, British and American taxpayers are called upon to furnish food in substitution for fish the Germans could catch for themselves.

Fish is particularly needed as the present diet is sadly lacking in protein content.

8. A still further saving to British and American taxpayers is possible if maximum expedition could be made of exports of German manufacture. The Joint Export-Import Agency is doing its best, but such exports are hampered by the lack of coal for manufacture; by Trading-with-the-Enemy Acts, and restrictions on free communication together with limitations on dealings between buyers and sellers. The restoration of trade is inevitable, and every day's delay in removing these barriers is simply adding to the burden of our taxpayers for relief that could otherwise be paid for in goods. No one can say that in her utterly shattered state, Germany is a present economic menace to the world.

Should there be such good fortune as to realize all these possibilities, we could not only increase the food supply to health levels but also lessen the joint costs by \$150,000,000 during the fiscal year 1947-1948. However, as I have said, I am convinced that the larger sum should be provided for.

#### German Repayment for These Outlays

The great sums hitherto spent on relief of the German civilian

population form outside Germany's borders, together with those in the future, should not be an irrecoverable expenditure to our two Governments.

I have, therefore, urged upon the American and British authorities that it be announced as a policy, and stipulated in all peace arrangements, that these expenditures for the relief of the civil population, (Category "A") past and future, should be made a first charge upon the economy of Germany and repaid from any future net exports from Germany before any payments to other nations of any kind.

At my instance, all Allied nations in the first World War agreed that German civilian relief expenditures at that time should be repaid from any liquid assets and ranked ahead of any reparation claims. They were so repaid. The grounds which I advanced at that time are no less valid today. By these relief expenditures, we are rebuilding the economy of the German people so that other payments can be made by them. These costs should be a sort of "Receiver's Certificate." If this policy be pursued, these appropriations for relief asked from the Congress, and the Parliament, can become a recoverable expenditure and not a charity loaded onto our taxpayers. It would seem that a tax upon exports, of some per cent, to be paid in dollars after July 1, 1949 might be an effective implementation of such a provision.

#### Organization

I have made certain recommendations to the joint Military Governments of the two zones as to organization matters, which I believe will improve administration, now that bi-zonal operation, under larger German responsibility, has been undertaken.

#### Conclusion

It may come as a great shock to American taxpayers that, having won the war over Germany, we are now faced for some years with large expenditures for relief for these people. Indeed, it is something new in human history for the conqueror to undertake.

Whatever the policies might have been that would have avoided this expense, we are now faced with it. And we are faced with it until the export industries of Germany can be sufficiently revived to pay for their food. The first necessity for such a revival is sufficient food upon which to maintain vitality to work.

Entirely aside from any humanitarian feelings for this mass of people, if we want peace; if we want to preserve the safety and health of our Army of Occupation; if we want to save the expense of even larger military forces to preserve order; if we want to reduce the size and expense of our Army of Occupation—I can see no other course but to meet the burdens I have here outlined.

Our determination is to establish such a regime in Germany as will prevent forever again the rise of militarism and aggression within these people. But those who believe in vengeance and the punishment of a great mass of Germans not concerned in the Nazi conspiracy can now have no misgivings for all of them—in food, warmth and shelter—have been sunk to the lowest level known in a hundred years of Western history.

If Western Civilization is to survive in Europe, it must also survive in Germany. And it must be built into a cooperative member of that civilization. That indeed is the hope of any lasting peace.

After all, our flag flies over these people. That flag means something besides military power.

In addition to his report to President Truman, Mr. Hoover, on Feb. 28 appeared before the House

Foreign Affairs Committee and outlined a policy for American food distribution to needy countries throughout the world. His oral statement to the Committee follows:

I have made no personal inquiry into the relief programs proposed except that of Germany and Austria and the children's fund. I have brought the committee a copy of my report on German agriculture and food requirements and should be able to furnish such information on Austria in a few days.

In view of the world shortage of food and the great strain upon the American taxpayer, I have thought it necessary to recommend that we hold the German and Austrian programs to the very minimum under which health and work can be sustained. I suggest to the committee that relief to other countries cannot, in view of these same considerations, be put at any higher levels than those I have recommended for Germany and Austria.

I strongly favor aid to the United Nations project for special feeding of subnormal children. This fund, however, would take some part of the relief load off the countries it is proposed to serve with this \$350,000,000 appropriation and as I am including child feeding in the German and Austrian program, that would, in turn, take some of the load off the United Nations' children's fund.

The total of all these claims upon the generosity of the United States comes to a very large sum. And we must not forget that they are supplemental to the five to six billion we have already spent on civilian relief since the war and of our own resources.

Charitable relief by Government is today a double tax upon most of our people. It is not only a direct burden upon the taxpayer, but these unremunerative and unbalanced exports keep up prices and the cost of living.

#### Advocates Caution

In their miseries the people abroad believe our possibilities of giving are unlimited. They do not realize that our taxes, Federal and local, are now, two years after the war, still taking about 35% of the national income. It is in the interest not only of ourselves but of the whole world that we stop, look, and listen.

America, even with all our burdens, never has, and I hope, never will, cease to do its utmost to prevent starvation in any country.

However, we should bring governmental relief to an end as soon as is possible, encourage the assumption of the burden by well-equipped private organizations. Moreover, I believe we should begin to secure repayment of these sums and have the full right to demand efficiency and economy in the use of public funds for relief and we have the further right to see that they contribute to that productivity and peace which will alone end these burdens.

I would, therefore, like to suggest to the committee some policies or methods that should be placed administratively or legally under this proposed appropriation. These suggestions are not made in criticism of the proposed legislation but in the hope that they will be helpful in accomplishing the ends we all desire.

(1) No relief other than food, medicine, seed and fertilizers should be furnished under these relief appropriations. In some cases limited supplies of clothing might be included.

(2) Relief from our contribution to these funds should be limited to United States products and to transportation. We should not use American dollars to purchase elsewhere.

(3) None of this fund should be used for countries which are able to pay in cash or to secure

credit or supplies through other channels.

(4) A further careful estimate of need and costs of this relief should be made after full examination on the ground by specialists appointed by the United States Department of Agriculture and the United States Public Health Service and the International Emergency Food Council.

These estimates (except for Austria) should include only the period from the end of the UNRRA operation to the 1947 harvest. At that time the whole relief problem should be taken up afresh in the light of the situation then.

In view of short world supplies and the needs of our own taxpayers, any further governmental relief program should, as I have said, be calculated upon no higher bases than that we have proposed for Germany.

(5) The distribution should be continuously under supervision of, and satisfactory to, specialists from the agencies named.

(6) No obligation or promise should be entered into with any country for any specific amount of relief; the distribution must be a month-to-month program, terminable at any time.

There are many reasons for such action implied in its emergency nature. Moreover, difficult policy questions arise in connection with relief to peoples whose governments are said by our Government not to have kept their promises or agreements with the United States.

#### No Relief to Nations with Large Military Forces

Another such difficult situation is that of the governments of small countries which are maintaining military forces far beyond any necessity for police purposes—say, a number not more than one-half of 1% of the population. This mobilization keeps men from producing food or making things that could be exported to pay for food.

We have no desire to fail to do our full part in alleviating the starvation of women and children merely because of actions by their officials. But at some point American patience and humane action is likely to become exhausted.

(7) No food from relief or domestic production in any relief country should be used for political pressure and there should be no racial or other discrimination.

(8) No relief should be given where either commodities or cash are going out of that country for reparations or the purchase of arms. Such commodities or cash should be used to pay for food.

(9) In my view, any nation receiving relief should obligate itself to pay the cost thereof, either to the United States and other donors or, preferably, to a fund to be established by the United Nations for future famine relief.

The nations receiving reparations from relief countries should be asked to defer reparations until these relief costs are repaid. The justice of this proposal lies in the fact that this relief obviously serves to preserve the manpower productivity, and therefore the ability to pay reparations.

Both the nations under reparations and those who are not should agree to assure repayment by a tax of say, 5 or 10%, upon all exports from the debtor country, to be paid in the currencies of the countries receiving such exports, such payments to begin in two or three years.

In conclusion, such methods as these would give some production to the American taxpayer yet would deprive no needy people of relief if their Governments are willing to cooperate with the United States in securing efficiency and economy in the use of relief, in the restoration of productivity and the promotion of freedom and peace.

## General Crop Report of the U. S. Department of Agriculture for 1946

The Crop Reporting Board of the U. S. Department of Agriculture made public on Dec. 17 its report of Crop Acreage and Production for the United States, from reports and data furnished by crop correspondents, field statisticians, and cooperating State agencies.

The report in part follows:

### ACREAGE AND PRODUCTION OF CROPS 1946

Crop and Unit—	Acreage Harvested (in thousands)		Production (in thousands)	
	Average 1935-44	1945	Average 1935-44	1945
Corn, all (bu.)	91,698	88,079	88,718	2,608,499
Wheat, all (bu.)	55,404	65,120	67,201	843,692
Winter (bu.)	39,113	46,989	48,510	618,019
All spring (bu.)	16,290	18,131	18,691	225,673
Durum (bu.)	2,488	2,004	2,453	31,900
Other spring (bu.)	13,803	16,127	16,238	193,774
Dats (bu.)	36,711	41,933	43,648	1,129,441
Barley (bu.)	12,550	10,465	10,477	289,598
Rye (bu.)	3,410	1,856	1,598	42,356
Buckwheat (bu.)	424	409	390	7,138
Flaxseed (bu.)	2,673	3,785	2,430	23,426
Rice (bu.)	1,169	1,494	1,567	55,257
Popcorn (lbs.)	87	312	163	116,300
Sorghums for grain (bu.)	5,556	6,408	6,765	86,543
*Sorghums for forage (tons)	8,643	7,504	6,248	12,012
*Sorghums for silage (tons)	916	680	646	5,184
Cotton, lint (bales)	24,890	17,059	17,639	12,553
Cottonseed (tons)				5,240
Hay, all (tons)	70,431	77,017	74,352	91,308
Hay, wild (tons)	12,075	14,532	14,020	10,616
Alfalfa seed (bu.)	767	888	1,071	1,176
Red clover seed (bu.)	1,292	2,186	2,584	1,314
Alsike clover seed (bu.)	141	153	149	304
Sweet clover seed (bu.)	337	239	229	883
Lespedeza seed (lbs.)	718	922	974	143,169
Timothy seed (bu.)	491	362	378	1,783
Sudan grass seed (lb.)	159	73	59	57,514
†Beans, dry edible (bags)	1,879	1,485	1,617	16,408
†Peas, dry field (bags)	362	518	512	4,580
Soybeans for beans (bu.)	5,698	10,661	9,606	103,457
Cowpeas for peas (bu.)	1,259	648	558	6,591
Peanuts picked & threshed (lbs.)	2,243	3,160	3,168	1,587,964
Velvetbeans (tons)	2,083	1,256	1,075	850
Potatoes (bu.)	2,968	2,696	2,578	372,756
Sweet potatoes (bu.)	778	671	679	66,422
Tobacco (lbs.)	1,554	1,821	1,938	1,479,621
Sorghum syrup (gals.)	211	159	179	12,213
Sugarcane for sugar and seed (tons)	291	290	310	5,873
Sugarcane syrup (gals.)	132	133	120	20,625
Sugar beets (tons)	787	713	821	9,568
Maple sugar (lbs.)	10,442	17,336	18,000	643
Maple syrup (gals.)	10,442	17,336	18,000	2,625
Broomcorn (tons)	300	279	298	44
Hops (lbs.)	34	41	41	**39,631
Flax fiber (Oreg.) (tons)	††8	8	8	56,772
Apples, commer. crop (bu.)			**120,962	68,042
Peaches, total (bu.)			**59,938	**81,564
Pears, total (bu.)			**29,002	**34,011
Grapes, total (tons)			**2,553	2,792
Cherries (12 States) (tons)			**160	**148
Apricots (3 States) (tons)			**236	**194
Plums (2 States) (tons)			**74	**73
Prunes, dried (3 States) (tons)				105
Ptunes, other than dried (3 States) (tons)				210
Oranges (5 States) (boxes)				234
Grapefruit (4 States) (boxes)				214
Lemons (Calif.) (boxes)				81
Cranberries (5 States) (bbis.)				11,520
Pecans (12 States) (lbs.)				624
Tung nuts (5 States) (tons)				657
Commercial truck crops—				846
For market (25 crops) —	3,304	3,837	4,099	—
For processing (11 crops) —	1,726	1,928	2,087	—
Total 52 crops —	1,578	1,909	2,012	—
Dry weight. †Green weight. ‡Bags of 100 pounds (uncleaned). §All purposes. \$1,000 trees tapped. **Includes some quantities not harvested. ††Short-time average. §§Excluding crops not harvested, minor crops, duplicated seed acreages, strawberries and other fruits.	334,823	346,482	345,773	—

Dry weight. †Green weight. ‡Bags of 100 pounds (uncleaned). §All purposes. \$1,000 trees tapped. \*\*Includes some quantities not harvested. ††Short-time average. §§Excluding crops not harvested, minor crops, duplicated seed acreages, strawberries and other fruits.

### Yield per Acre

Crop and Unit—	Yield per Acre		
	Average 1935-44	1945	1946
Corn, all (bushels)	28.5	32.7	37.1
Wheat, all (bushels)	15.3	17.0	17.2
Winter (bushels)	15.9	17.4	18.0
All spring (bushels)	13.9	16.0	15.1
Durum (bushels)	12.9	16.4	14.6
Other spring (bushels)	14.0	16.0	15.1
Oats (bushels)	30.7	36.6	34.6
Barley (bushels)	22.8	25.4	25.1
Rye (bushels)	12.2	12.9	11.7
Buckwheat (bushels)	16.8	16.2	18.2
Flaxseed (bushels)	8.3	9.1	9.4
Rice (bushels)	47.6	45.6	45.6
Popcorn (pounds)	1,328	1,372	1,634
Sorghums for grain (bu.)	14.9	15.1	15.8
*Sorghums for forage (tons)	1.38	1.31	1.38
*Sorghums for silage (tons)	5.53	5.33	5.73
Cotton, lint (pounds)	243.8	253.8	230.7
Hay, all (tons)	1.29	1.41	1.36
Hay, wild (tons)	0.88	0.91	0.82
Alfalfa seed (bushels)	1.57	1.33	1.55
Red clover seed (bushels)	1.09	0.80	0.82
Alsike clover seed (bushels)	2.23	2.29	2.62
Sweetclover seed (bushels)	2.67	2.54	2.69
Lespedeza seed (pounds)	193	203	220
Timothy seed (bushels)	3.51	3.68	3.70
Sudan grass seed (lb.)	362	399	391
Beans, dry edible (pounds)	873	881	977
Peas, dry field (pounds)	1,213	1,142	1,353
Soybeans for beans (bushels)	18.0	18.0	20.5
Cowpeas for peas (bushels)	5.3	5.8	5.8
Peanuts picked and threshed (pounds)	728	646	655
Velvetbeans (lb.)	818	836	806
Potatoes (bushels)	125.8	155.0	184.1
Sweet potatoes (bushels)	85.4	96.3	98.3
Tobacco (pounds)	952	1,035	1,153
Sorghum syrup (gallons)	58.0	61.9	67.5
Sugarcane syrup (gallons)	20.1	23.1	20.7
Sugar beets (tons)	156	216	204
Maple sugar and syrup (pounds)	12.1	12.1	13.0
Broomcorn (pounds)	\$2.08	\$1.11	\$1.37
Hops (pounds)	298	280	295
Flax fiber (Oreg.) (tons)	1,168	1,395	1,306
	11.60	1.50	1.90

Dry weight. †Green weight. ‡All purposes. §Total equivalent sugar per tree. \$Short-time average.

NOTE.—The 1945 data for all crops except fruits and nuts are revised on the basis of the 1945 Census of Agriculture, covering crop aggregate acreage in the 18 years

acreages and production for 1944, as well as other check data which become available at the end of each crop season. The 10-year averages are not revised, with the exception of cotton.

The total output of crops in 1946 is the greatest in the history of our country. High yields are primarily responsible although the harvested acreage is fairly large, and the growing season has been more favorable than usual. The aggregate volume of crops is 26% above the 1923-32 (pre-drought) average, 2 points above the previous record production in 1942 and 7 points above that of last year. Not only the quantity but also the quality of crops is outstanding.

Production of individual crops reflects the generally favorable growing conditions. A 3.3-billion bushel corn crop of excellent quality tops any previous crop. For the third successive year more than a billion bushels of wheat were harvested, production this year breaking all previous records. Rice, soybeans and cherries set new marks in the final harvest returns to join potatoes, tobacco, peaches, pears, plums, and truck crops. Crops with near-record production are oats, peanuts and grapes. Better than average crops of hay, sorghum grain, popcorn, dry peas, sweet-potatoes, apples, prunes, apricots, hops, sugarcane and sugar beets were harvested. Cotton and cottonseed production, however, is about one-third below average and, with the exception of 1921, the smallest since 1895. Other crops falling below average are barley, flaxseed, buckwheat, rye, broomcorn, dry beans, cowpeas, pecans, and maple products.

Growing conditions throughout the 1946 growing season were mostly favorable. Although winter grains went into the winter in only fair to good condition, they got an excellent early start in the spring. April weather permitted unusual progress in spring work and seeding of grains, but frosts in May over a large West North Central area set some field crops back severely and damaged fruits. Planting conditions in late May and June were nearly ideal in most of the Corn Belt. But in the Ohio River Valley and virtually all the rest of the country frequent heavy rains kept fields waterlogged and limited planting and care of row crops. By July 1, however, most sections had worked out of their difficulties and prospects improved rapidly.

Lack of rainfall in the central and southern Great Plains however, cut into prospects for wheat and late crops. Dry areas also developed in sections adjacent to Lakes Michigan and Erie and in parts of North Dakota and Montana. New Mexico was the center of an area embracing portions of adjacent States where prolonged lack of rain severely decreased plantings and production and dried up range pastures. Fall rains improved the situation in this area and made it possible to seed a large acreage of winter grains for 1947 harvest. Most major crop areas enjoyed favorable summer and fall conditions, which improved yields and quality of maturing crops. Rains in the first half of November delayed harvesting of corn, particularly in the northwestern part of the Corn Belt, and snow interfered with other late crops in the Mountain States. But after mid-November progress was rapid under favoring circumstances throughout the country.

In 1946 the harvested acreage for 52 crops amounted to nearly 346 million acres. This total is slightly smaller than in any of the preceding three years, larger than in any year from 1933 to 1942, but substantially below the 1929-32 level of 355 to 362 million acres. Total acreage changes vary significantly by geographic regions. In 1946 the South Atlantic region harvested the smallest ag-

cares and severe losses of cotton acreage and permitted weeds and grass to overrun some other row crops in the South. In all other areas abandonment was relatively light. On the whole, quality of crops was relatively high, although there was some damage

Eight of the individual crops, cantaloups, cauliflower, celery, eggplant, lettuce, onions, peppers and tomatoes, contributed record-breaking tonnages, and all but artichokes, kale, peas and spinach were above average. Commercial truck crops for processing also exceeded the tonnage in any previous year. For the 11 vegetables, the total was 6.3 million tons, 18% more than last year, 8% above the previous high mark of 1942 and nearly one-half more than average. The tonnage of cucumbers for pickles and green peas, lima beans and tomatoes for processing was the largest of each every produced. Sweet corn was at a near-record level.

With record or near-record production of alfalfa, red clover and lespedeza, the total of the 6 principal legume and grass seeds is a sixth larger than last year and more than one-quarter above average. The supplies of these seeds are regarded as adequate for domestic needs and for some of the heavy foreign demand. Movement from farms has been unusually rapid and at prices well above average.

#### Corn

A record yield of 37.1 bushels per acre, on a relatively small acreage, has produced the Nation's largest corn crop. The 1946 crop is, also, one of the best from the standpoint of quality. The year's harvest is now estimated at 3,288 million bushels from 88,718,000 acres. This total production exceeds by 85 million bushels the previous record set in 1944 and is more than one-fourth larger than the 10-year average. Last year's production, now revised down to 2,881 million bushels, is exceeded this year by about 407 million bushels or 14%. These estimates of all corn production include, besides corn for grain, an equivalent production of corn for silage, forage, hogging and grazing.

Corn harvested for grain is estimated at 2,990 million bushels, more than ever before produced. This is equivalent to 91% of all corn production, compared with 2,594 million bushels for grain in 1945, about 90% of all corn. This higher proportion for grain reflects this year's better quality which left little to be salvaged as immature forage, compared to 1945. The acreage of corn used as silage, 4,555,000 acres, is less than usual, but produced about 36 million tons of silage, near the usual quantity. The acreage for forage, including that hogged and grazed, was only 4,452,000 acres or 5% of the total harvested acreage, compared with 5,197,000 acres which was 6% of the total in 1945.

In only 5 of the past 50 years, 1898, 1939, 1940, 1941 and 1945, has the harvested acreage of corn been smaller than in 1946. The 90,027,000 acres planted was a comparatively small acreage and abandonment, 1.5%, was relatively low. But the average yield per acre was nearly 2 bushels above the previous high point of 1942, and 8.6 bushels above average. Hybrids, planted on 67.5% of the total acreage and on 91% of the high-yielding Corn Belt acreage, were a major factor influencing the higher yields. The long and favorable growing season resulted in excellent quality and steadily improving yield prospects.

Overcoming most of the early obstacles by July 1 the corn crop gave promise of breaking all production records. Planting had been delayed by frequent rains during the latter part of May in the Ohio River Valley and most of the country outside the main Corn Belt. In most of the Corn Belt and especially in the western part, planting conditions were nearly ideal, though the excellent conditions for seeding spring grains and the light abandonment of winter wheat had left a smaller acreage available for corn than

farmers had originally planned. Favorable weather in late June and most of July improved prospects in practically all areas. But dry weather in late July and August affected yield prospects in the Great Plains, the northern Lake States, and scattered parts of the West. By October 1 it was apparent that the crop would be of excellent quality, since September growing conditions were favorable except in the dry areas. Though light frosts occurred in northern and Great Plains States in September most of the corn was too far along to be damaged to any serious extent. In fact, a killing frost was needed in October and early November to check growth and permit curing of the ears. Harvest progress was rapid during November, with farmers taking steps to insure safe storage of the high moisture corn, occurring chiefly in Iowa and the northwestern part of the Corn Belt.

Yields per acre of corn equal or exceed the average in all States, except Maine, Michigan, Montana and Idaho. The yield for the North Central States as a group is about 9 bushels above average with other regions 3 to 4½ bushels above. The largest gain in yield over last year was also in the North Central regions, about 6 bushels, though all regions averaged higher than in 1945. New production records were set by Iowa, Illinois, Indiana and North Carolina, with numerous other States particularly in the South at near-record levels.

#### Wheat

The 1946 record production of 1,156 million bushels of wheat was 4% larger than the previous record of 1,108 million bushels in 1945. This is the third consecutive billion-bushel wheat crop, and the third consecutive record-breaking year. The only other year when production reached a billion bushel was 1915, which still holds this record for the largest spring wheat production. The 1946 record-breaking crop is attributed primarily to the increased acreage of winter wheat seeded; low winter losses, the remarkable recovery from the early season shortage of moisture in both the southern Great Plains winter wheat and the northern Plains spring wheat regions; and the outstanding good season in the Pacific Northwest. The 67,201,000 acres of all wheat harvested is 3% above the 65,120,000 acres harvested last year, and is the largest since 1938. The seeded acreage increased to 71,510,000 acres from the 69,130,000 acres seeded for the 1945 crop season.

The 1946 winter wheat crop of 874 million bushels was 56 million bushels larger than the 818 million bushels produced in 1945 and 6% larger than the previous record of 825 million bushels produced in 1931. The current year's record production climaxes three consecutive years with bumper winter-wheat crops, the largest ever produced except for 1931. The area of winter wheat harvested, at 48,510,000 acres, was exceeded only in 1919 and 1938. The 52,206,000 acres seeded in the fall of 1945 was exceeded only by seedings in the fall of 1936 and 1937. Winter wheat acreage was reduced from early intentions in the Southeast because of the delay in harvesting 1945 crops and wet fields at seeding time but an increased acreage was seeded under generally favorable soil moisture conditions in the Great Plains area and western States. In the Pacific Northwest, particularly in Washington, the favorable soil moisture situation resulted in a marked shift from spring wheat to winter wheat.

Winter killing was light and wheat came out of the dormant period in good condition. The light precipitation in the western Great Plains area together with deple-

tion of soil moisture by heavy early spring growth caused sharp deterioration in the crop in Oklahoma, Texas, Kansas and Nebraska before the late May rains came. Conditions from mid-May until harvest were quite favorable for winter wheat development and maturity. Although a considerable acreage headed short because of the early season drought, heads filled well and grain was of high test weight. The final outturn was substantially above earlier expectations in all areas, except in Illinois and Missouri where serious Hessian fly injury occurred locally. Abundant straw growth in some eastern States did not result in high grain yields. Harvest was completed a week or more earlier than usual. The abandonment of winter wheat (acreage not harvested for grain), at 7.1% of the planted acreage, reflects the good conditions under which the 1946 crop was produced. Favorable prices and the urgent need for wheat encouraged producers to harvest some low-yielding acreage that usually would have been abandoned. In the Southeast a larger percentage of wheat acreage was harvested for grain than in recent years. Most of the volunteer acreage carried through the winter in the western Great Plains Area was not harvested for grain because of the winter and early spring drought. Abandonment this year was slightly larger than in 1945, and 1942, when it was 6.8 and 6.9% respectively, but aside from those two years was lower than any other year since 1931.

Production of all spring wheat is estimated at 282 million bushels. This is below last year's production of 290 million bushels and the smallest crop since 1942. The 18,691,000 acres harvested this year was slightly above the 18,131,000 acres harvested last year. However, the 1946 crop season in the northern Great Plains started off with a cumulative moisture deficiency and rather poor prospects for spring wheat. This situation was not relieved until rains fell in late June. Straw was very short as growth was largely determined during the period of early season dryness. Later rains aided the development of well filled heads of medium size, but with plump, high quality grain. In the Pacific Northwest yields were unusually high.

The durum wheat States harvested 2,453,000 acres in 1946, an increase of 22% from the 2,004,000 acres harvested last year. The abandonment of durum wheat was unusually low — 1.6% of the planted acreage, approaching the 1.1% abandonment last year.

A large part of the durum wheat acreage was in the section of the northern Plains that was too dry during the early part of the growing season. Yield prospects were cut back sharply during June. In spite of the remarkable recovery of durum wheat after the needed moisture supply was received, the damage from dry weather was reflected in the yield of 14.6 bushels per acre, nearly 2 bushels lower than in 1945. This is due largely to North Dakota's yield of 14.5 bushels per acre, which is 2 bushels under the 1945 yield. South Dakota's yield per acre equals last year, while that for Minnesota is 2 bushels higher than last year.

Other spring wheat production, estimated at 246 million bushels, is lower than last year's 258 million bushels, even though the harvested acreage is a little larger than in 1945 — 16,238,000 acres compared with 16,127,000 in 1945. The yield of 15.1 bushels per acre is 0.9 bushels under last year. The effects of the dry spring in the northern Plains States are less pronounced in the case of other spring wheat production than for durum because the acreage of other spring is more widely dispersed, and the Western States in general enjoyed a quite favorable

year. The abandonment of other spring wheat for the entire United States is 3.4%, the same as last year, whereas in the northern Plains area it was 2.5% compared with 2.1 last year.

#### Wheat Production by Classes

The 1946 production of wheat by classes is: hard red spring 214,361,000 bushels, durum 36,317,000 bushels, hard red winter 581,832,000 bushels, soft red winter 196,947,000 bushels and white wheat 126,258,000 bushels. Production of hard red winter and white wheat is the largest on record, while hard red spring and soft red winter are lower than last year and below recent years. Durum wheat production, although at a comparatively low level is above both of the preceding 2 years. The revised 1945 distribution of wheat production, by classes, is as follows: hard red spring 220,849,000 bushels, durum 33,285,000 bushels, hard red winter 520,843,000 bushels, soft red winter 213,350,000 bushels and white wheat 119,897,000 bushels.

#### Oats

The second consecutive 1½-billion bushel oats crop is now harvested. The 1946 production of 1,510 million bushels is only 26 million bushels or about 1.7% below the record 1945 crop.

The acreage harvested for grain this year is estimated at 43,648,000 acres, about 4% more than the acreage harvested in 1945, and about 19% more than average. The estimated acreage planted for all purposes in 1946 was 47,048,000 acres, about 2.5% more than the acreage planted a year ago. Abandonment this year was 7.2% of the planted acres, compared with 8.6% last year. It was an exceptionally good season in most areas, so that little oats acreage was abandoned or diverted to uses other than grain.

An early spring season, favorable for seeding, increased acreages in the North Central and North Atlantic States. Other factors responsible for acreage increases in the Corn Belt States, where 75% of the acreage is located, were: the very tight feed situation, upward trends in yields in recent years, and relatively light labor requirements for producing oats. In some other areas, particularly South Atlantic and South Central States where considerable fall oats are grown, the wet fall season of 1945 was unfavorable for sowing.

The yield per acre this year of 34.6 bushels per acre is about 2 bushels less than the 1945 yield but far above the 10-year average. Weather during the growing season was highly favorable for oats over most of the country. Although autumn rains interrupted harvesting activities in many areas, losses were comparatively light and the quality and test weight is good. The use of rust-resistant varieties and high yielding strains contributed materially to the high yields obtained this year; however, yields declined somewhat from early expectations due to disease which affected some of the newer strains.

#### Barley

Production of barley declined in 1946 for the fourth consecutive year. The 1946 production estimate of 263,350,000 bushels is 1% less than the 1945 output and 9% less than the 1935-44 average.

The downward trend in barley acreage started after the 1942 peak and largely accounts for the smaller crops of the past few years. The United States acreage seeded to barley has fallen off about 8% a year since 1942. The 11,594,000 acres planted in 1946 was only three-fifths of the acreage in the first year of the War. Harvested acreage, following the same trend, is estimated at 10,477,000 acres for 1946.

In some of the major producing States, however, the trend was

reversed this year. The North Central group of States harvested over 5% more acres of barley in 1946 than in 1945. This region grows well over half of the barley acreage. The nine States of the North Atlantic region also harvested more barley this year—an increase of nearly 9% over 1945. In other parts of the country, particularly in the South, barley acreage continued to decline with the increase in oat acreage. Acreage changes in 1946 for the more important barley growing States of the West, however, have been moderate except for Montana which had considerable increase.

Yields of barley this year have been satisfactory. The United States average of 25.1 bushels per acre is slightly below last year, but still exceeds the 10-year 1935-44 average by a margin of 2.3 bushels. Harvest results have been good despite the cool, wet weather early in the season which retarded growth. Weather conditions after June were favorable for the crop and final yield results generally good.

#### Rye

Rye production this year is estimated at 18,685,000 bushels, 22% less than the 23,952,000 bushels produced in 1945, and about 56% less than the 1935-44 average. The smaller production is due to both the smaller acreage for harvest and lower yield per acre than last year. Except for the small crop of 1934, this year's production is the smallest since 1875.

Rye acreage harvested for grain this year is estimated at 1,598,000 acres, 14% below the 1,856,000 acres harvested in 1945 and about 53% less than 10-year average. Decreases from last year occurred in all regions except the western States where there was a 3% increase. The acreage of rye harvested for grain in the North Central States this year is estimated at 1,140,000 acres compared with 1,301,000 acres last year. However, in Minnesota and North Dakota, the acreage harvested was larger than last year. Nebraska ranks first in acreage harvested, while the Dakotas are in a close second and third position.

The yield per acre this year is estimated at 11.7 bushels compared with last year's 12.9 bushels and the 10-year average of 12.2 bushels. Harvest weather was generally favorable. Freezing weather during May and dry weather during most of June adversely affected development of heads in some areas, especially Nebraska and the Dakotas.

#### Buckwheat

The 1946 buckwheat production of 7,105,000 bushels was slightly less than the 1935-44 average production, but about 7% more than the 6,644,000 bushels produced in 1945. The yield per acre was 18.2 bushels, compared with 16.2 bushels last year and the 10-year average of 16.8 bushels. Yields were above average in most of the important producing States, except Michigan where September frosts curtailed prospects. This year's crop was planted under favorable conditions and benefited by the late fall. Conditions at harvest time were nearly ideal.

The planted acreage this year was the smallest since 1942. The early season was very favorable for planting other grains, holding buckwheat which is used extensively as a catch-crop in some areas, to 415,000 acres or 8% below the 10-year average acreage.

The harvested acreage of buckwheat this year is estimated at 390,000 acres, compared with 409,000 acres harvested in 1945 and the average of 424,000 acres. Acreage losses this year were 6.0% of the planted acreage compared with average abandonment of 5.8%, and a 16.0% abandonment last

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year due largely to adverse weather at harvest time. Heaviest losses this year occurred in New York, Pennsylvania, and Michigan.

### Tobacco

The December 1 indicated production of tobacco is 2,235 million pounds, an all-time record crop, and compares with 1,994 million pounds for 1945, and is about 1½% lower than was indicated on November 1. The acreage of all tobacco is estimated at 1,938,000 acres, somewhat below earlier estimates but 6.4% above the 1945 acreage.

The crop of flue-cured tobacco is placed at 1,322 million pounds, almost 150 million pounds larger than the previous record crop of 1945. The marketing season is largely over for flue-cured types. Only negligible quantities of types 11 and 12 remained unsold on December 1.

A total of 581 million pounds of burley tobacco from the crop of 1946 is indicated as of December 1. This is approximately the same as was harvested in 1945 and about 2% below the record crop of 1944. The December estimate of total acreage of burley tobacco, at 477,000 acres is 7% below the 511,000 acres harvested in 1945. The indicated average yield per acre in 1946 is an all-time high, about 88 pounds per acre above that of 1945.

The Southern Maryland crop of tobacco was harvested under favorable conditions and gives promise of the highest production of record—40.5 million pounds—more than twice the small crop of 1945 and about 6% above the previous record crop (1944).

The indicated production of dark fired tobacco—96 million pounds—is substantially above that of any year since 1940 when 108 million pounds were produced and compares with 58 million pounds in 1945. The preliminary acreage of dark fire-cured tobacco is placed at 88,700 acres or 45% above 1945.

In spite of an estimated acreage of dark air-cured tobacco about 10% below last year, a very favorable season brought record yields and the resultant production 46.9 million pounds exceeds that of 1945 by nearly 8%. There were some acreage shifts from dark air-cured to the dark fired types.

Except for some local hail damage in the New England States and minor storm damage in the Georgia-Florida shade section, the cigar types of tobacco had an unusually favorable season. A total of 64.4 million pounds of fillers is in prospect, more than 25% above last year's crop. An acreage increase of 10% over last year combined with almost ideal growing conditions in the Lancaster area accounted for the substantial increase in production in 1946.

The production of binders is placed at 71.9 million pounds compared with last year's total of 61.9 million pounds. This increase was due mainly to higher acreage since the yield per acre was only 10 pounds above that of 1945.

On an acreage of 12,400 acres, about 11% above last year, a total of 12.5 million pounds of wrappers is indicated. This compares with production of 11.2 million pounds in 1945.

### Potatoes

The Nation's 1946 potato crop of 474,609,000 bushels exceeds by 2% the previous record-high crop of 464,999,000 bushels harvested in 1943. Production this year exceeds the revised estimate of the 1945 crop of 418,020,000 bushels by 14% and is 27% above the 1935-44 average of 372,756,000 bushels. This record-large crop was har-

vested from only 2,578,000 acres, which is the smallest acreage since 1892. In 1945, potatoes were dug from 2,696,000 acres and the average is 2,968,000 acres. The 1.8% abandonment of planted acreage is the lowest since 1931.

A record high yield per acre of 184 bushels was harvested this year for the United States. Prior to this season, the highest national potato yield was the 155 bushels obtained last year. Above-average yields this year: with a continued State except Louisiana. Only in this State and in North Dakota, Indiana, Alabama, and Washington were the 1946 yields below those of last year. Many different factors contributed to the bumper yields this year, with a continued downward trend in the national acreage, potato production is becoming more concentrated in high yielding commercial areas; weather throughout most of the country was very favorable during the growing season; the late fall permitted tubers to add much additional tonnage; and considerable commercial acreage was sprayed with DDT that apparently was very effective in controlling insects.

Estimated production in the 30 late potato producing States is 357,865,000 bushels, compared with 324,529,000 bushels harvested in 1945 and the average of 293,111,000 bushels. The 1946 crop is 6 million bushels below the 364,011,000 bushel crop produced in these States in 1943.

In the eastern part of the country, production in the late States exceeds the 1945 crop by 37% and is 47% above average. Unusually high yields were harvested in each of the States in this area.

The growing season was very favorable and continued longer than usual. Record-large crops were produced in Maine, Rhode Island, Connecticut, and on Long Island. The 158-bushel yield per acre produced in Pennsylvania is the highest of record. The 1946 acreages in Maine and Rhode Island exceed the acreages harvested in 1945. In these States the potato acreage is highly commercialized. The Maine crop was harvested with negligible losses from freezing.

Production of 85,698,000 bushels estimated for the 10 central late States (Michigan, Wisconsin, Minnesota, North Dakota, South Dakota, West Virginia, Ohio, Indiana, Illinois, and Iowa) is 9% below the 93,866,000 bushels harvested in 1945, and 15% below the average of 101,043,000 bushels. In each of these States, the acreage harvested is below the 1945 acreage, and only in North Dakota is the 1946 acreage above average. In the Red River Valley, dry weather during much of the growing season reduced the prospective crop. Damage from the spotted frosts of early September proved loss extensive in North Dakota, Minnesota, Wisconsin, and Michigan than first estimated.

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The production of binders is placed at 71.9 million pounds compared with last year's total of 61.9 million pounds. This increase was due mainly to higher acreage since the yield per acre was only 10 pounds above that of 1945.

On an acreage of 12,400 acres, about 11% above last year, a total of 12.5 million pounds of wrappers is indicated. This compares with production of 11.2 million pounds in 1945.

Production of late-crop potatoes in the western States is about the same as the 1945 production and 35% above average. Acreage harvested is above-average in Idaho, Colorado, Utah, Nevada, Oregon, and California. However, only in Montana, Washington, and Arizona does the late acreage exceed the acreage harvested in 1945. Growers in Idaho reduced acreage 16% from the record harvested last year. Production in Arizona, Oregon, and California is a record-high this year. In Idaho, Colorado, and Wyoming there was

some frost damage to potatoes at harvest time.

Production in the 7 intermediate States (New Jersey, Delaware, Maryland, Virginia, Kentucky, Missouri, and Kansas) is placed at 36,434,000 bushels. In 1945 these States produced 31,325,000 bushels and the average is 31,210,000 bushels. Missouri is the only State in this group in which growers harvested a larger acreage in 1946 than in 1945. There has been a downward trend in potato acreage in these States and only in New Jersey is the 1946 acreage above average. In New Jersey, Kentucky, and Missouri yields are the highest of record.

The estimated crop of 80,310,000 bushels harvested in the early producing States was 29% larger than the crop of 62,166,000 bushels harvested in 1945. There was a further expansion of the early acreage in California, where an average yield of 410 bushels was harvested. All of the early States except Alabama, Arkansas, and Louisiana harvested larger acreages in 1946 than in 1945. Potato production in South Carolina and Florida is a record-high this year. Yields in these two States, North Carolina, and Tennessee are the largest ever harvested.

### Sweetpotatoes

A sweetpotato crop of 66,807,000 bushels was harvested in 1946. This production is 3% larger than the revised estimate of the 1945 production of 64,665,000 bushels and slightly higher than the 1935-44 average of 66,422,000 bushels. The 679,300 acres harvested in 1946 is 1% more than 1945 harvested acreage, but 13% below the average of 777,600 acres. The estimated yield of 98.3 bushels approaches the record-high of 102 bushels. In 1945 the yield was 96.3 bushels per acre and the 1935-1944 average is 85.4 bushels.

In the South Atlantic States, the acreage harvested in 1946 was slightly lower than the acreage harvested in 1945 and 18% below average, as growers in Virginia and Georgia continued to reduce sweetpotato acreage. In the South Central States, the acreage harvested in 1946 exceeded the 1945 acreage despite further declines in the Alabama and Mississippi acreages. In this group of States larger acreages in Louisiana, Texas, and Tennessee increased the total. Growers in Louisiana harvested 18% of the national acreage in 1946 compared with the average of 13%.

Weather this season generally favored the development of sweetpotatoes, and the crop was harvested with minimum losses. Above-average yields were produced in all States except Illinois, Kansas, Oklahoma, and California. The 1946 yield is below the 1945 yield in Mississippi, Arkansas, Louisiana, Texas, and California. Yields in Louisiana have increased sharply in recent years as production has become highly commercialized, but they were reduced this season by dry weather during August and September.

### Douds Regains NLRB Post

Charles T. Douds has been reinstated as New York regional director of the National Labor Relations Board, on recommendation of the Civil Service Commission, a Washington dispatch from the Associated Press stated on Feb. 24. Mr. Douds, who, the same advises said, was dropped from the Board on Feb. 20, 1945, appealed his removal to the Civil Service Commission under the Veterans Preference Act and won. The same advises stated:

Mr. Douds, one-time regional director in Pittsburgh, was succeeded in the New York office by Howard Le Baron, former Atlanta regional director. A Board spokesman said a place probably would be found for Le Baron.

## The State of Trade

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that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 217,000,000 kwh. in the week ended Feb. 23, 1947, compared with 185,600,000 kwh. for the corresponding week of 1946, or an increase of 16.9%. Local distribution of electricity amounted to 201,300,000 kwh. compared with 180,700,000 kwh. for the corresponding week of last year, an increase of 11.4%.

**Railroad Freight Loadings**—Car loadings of revenue freight for the week ended Feb. 22, 1947, totaled 776,689 cars, the Association of American Railroads announced. This was a decrease of 23,288 cars, 2.9% below the preceding week and 53,408 cars or 7.4% above the corresponding week for 1946. Compared with the similar period of 1945, an increase of 4,293 cars, or 0.6% is shown.

**Paper and Paperboard Production**—Paper production in the United States for the week ended Feb. 22, was 104.9% of mill capacity, against 104.5% in the preceding week and 98% in the like 1946 week, according to the American Paper & Pulp Association. This does not include mills producing newsprint exclusively. Paperboard output for the current week was 103%, compared with 102% in the preceding week and 97% in the corresponding week a year ago.

**Business Failures Up Sharply**—Commercial and industrial failures in the week ending Feb. 27 totaled 74, the highest number registered in any week since June of 1943. Up from 58 in the previous week, concerns failing were almost five times as numerous as in the comparable week a year ago when only 15 failures were reported.

All except 5 of the week's failures involved liabilities of \$5,000 or more. Numbering 69, these large failures rose from 47 last week and were over 5 times as high as in 1946's corresponding week when 13 concerns failed in this size group. Small failures with losses under \$5,000 remained low. There were only half as many as in the previous week, 5 against 11. This compares with 2 small failures recorded for the same week a year ago.

Manufacturing accounted for almost half of the week's total failures. At 36, manufacturers failing more than doubled the number occurring a week ago and furthermore, were six times as frequent as in the comparable week last year. Retailing with 22 had the next-largest number of failures in the week just ended. Increasing from 19 a week ago to 22 this week, retailers failing were more than seven times as numerous as last year. In other industry and trade groups, wholesale trade, construction, and commercial service, concerns failing remained at a low level. Although failures in these groups were a little higher this year than in 1946's comparable week, they did not exceed 7 in any of the three groups.

**Wholesale Food Price Index Up Sharply**—A further sharp upswing in foodstuffs in the past week pushed the Dun & Bradstreet wholesale food price index over the previous peak of \$6.49 recorded on Nov. 19 to establish a new all-time high of \$6.62 on Feb. 25. This marked a gain of 2.3% above last week's \$6.47, and compared with \$4.16 a year ago, an increase of 59.1%.

Contributing to the week's rise were advances in flour, wheat, corn, rye, oats, barley, hams, bellies, lard, butter, cottonseed oil, cocoa, steers, hogs, sheep and lambs. Declines occurred only in raisins and currants. The index represents the sum total of the

price per pound of 31 foods in general use.

**Daily Wholesale Commodity Price Index**—The rising trend in commodities continued through the past week, carrying the Dun & Bradstreet daily wholesale price index of 30 basic commodities to a new post-war peak of 252.33 on Feb. 25. This compared with 247.05 a week earlier, and with 184.48 on the corresponding date a year ago.

Some irregularity developed in leading grains last week as trading in futures markets reached the best volume in many months, with wheat furnishing the bulk of the activity. All deliveries of wheat futures advanced to new high ground for the season aided by continued aggressive world demand and reports of increased allocations for export to European countries. Corn was slightly easier but elevator interests purchased large amounts for deferred shipment. Oats were irregular and slightly lower at the close. Domestic flour buying remained cautious as a result of adequate stocks now on hand, the current high level of prices and reported consumer resistance to prevailing costs of baked goods. Export flour inquiries continued numerous but most countries were said to be holding off pending issuance of new allocations. Lard prices reached new seasonal highs last week as hogs at Chicago rose to an all-time high of \$29 per hundredweight, as against a previous high of \$27.50 set shortly after the removal of price controls last October. The rise was attributed to slim receipts and sustained strong consumer demand.

Cotton values continued to move moderately upward last week with spot cotton at New York up 78 points to 35.08 cents per pound. The uptrend largely reflected active price fixing for mill accounts for the purpose of replacing cotton being rapidly consumed. Other factors included purchasing stimulated by the ever tightening supply situation, the unexpectedly large mill consumption of the staple during January and the belief that the export subsidy payment may be further reduced or eliminated entirely. The Bureau of the Census reported consumption during January at 947,000 bales, up sharply from the 774,000 for December and 811,000 reported in January a year ago. Last month's consumption on a daily rate basis averaged about 43,000 bales, against 40,700 in December, and 36,900 during January last year. Carded gray cotton cloth markets were featured by heavy selling of print cloths and sheetings for third quarter delivery at firm prices.

As for some time past, activity in both foreign and domestic wools in the Boston market continued quiet. A few lots of revalued defective domestic wools were reported changing hands during the week. Imports of apparel wools received at Boston, New York and Philadelphia in the week ending Feb. 14 amounted to 5,262,000 clean pounds, compared with 2,609,000 in the preceding week and 4,147,300 two weeks previous.

**Retail and Wholesale Trade**—Heavy snow and extreme cold weather in some sections of the country were responsible for the sharp decline in total retail volume last week. However, dollar volume was slightly above that of the corresponding 1946 week, reports Dun & Bradstreet Inc. in its weekly review of trade. Unit sales in almost all localities were moderately below those of a year ago.

The general increase in consumer selectivity and a resistance to high prices and inferior goods continued.

Heavy buying for the holiday

week-end kept retail food volume at the high levels of previous weeks and total food volume compared favorably with that of the corresponding week a year ago. There was an abundance of fresh fruits and vegetables and the supply of many kinds of previously scarce canned goods continued to improve. Some increases in the price of meat were reported.

The supply of hardware and other durable goods was more abundant. While demand for electrical appliances and housewares remained strong, name brand refrigerators and radios were among the most frequently requested items. Consumer interest in furniture and housefurnishings continued at a high level. An increase in the number of purchases on the installment plan was noted.

Apparel volume declined appreciably in the week. Unseasonable weather in many sections of the country discouraged the sale of Spring merchandise. Interest in women's ready-to-wear was noticeably low with a sharp drop in the demand for furs, jewelry and other luxury items reported. Stocks of men's suits and coats increased and consumer interest remained at the high levels of previous weeks. Resistance to high prices and poor quality continued in most lines.

Retail volume for the country in the week ended on Wednesday of last week was estimated to be from 4 to 8% above that of the corresponding week a year ago. Regional estimates exceeded those of a year ago by the following percentages: East and Middle West 4 to 8, South 3 to 7, Southwest 8 to 12, Northwest 11 to 15. New England declined 1 to 5 and Pacific Coast varied from 2% above to 2% below that of a year ago.

In the wholesale trade shortages of freight cars and adverse weather in some sections of the country hampered deliveries in the week. While mail and telephone orders remained high, total order volume dropped slightly as the number of buyers registered in wholesale centers fell considerably below that of a week ago. Total wholesale volume last week was moderately above that of the corresponding week a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 22, 1947, increased by 2% above the same period of last year. This compares with an increase of 17% (revised figure) in the preceding week. For the four weeks ended Feb. 22, 1947, sales increased by 8% and for the year to date by 15%.

The course of retail trade here in New York City the past week was reversed, reflecting an upward trend during the week ended March 1, following the decline under that of a year ago in the preceding week. Department store volume was estimated at 10 to 12% over the like week of 1946. It was reported that the gain in dollars was not sufficient to place unit sales ahead in view of the higher price level.

In the garment markets activity was slackened on account of bad weather which restricted consumer response to spring goods at present being offered. Price easing was in evidence in some cotton textile prices, with indications that they have passed their peak despite recent wage increases.

Durable goods and machinery continued in short supply. Prospects for higher prices are in view in many lines, according to reports of industrial purchasing executives.

Wholesale food prices, too, reflected increases in primary markets the past week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Feb. 22, 1947, decreased 3% below the same period last year. Sales last week

were sharply reduced because of heavy snow storms along the Atlantic Coast. This compared with an increase of 22% (revised figure) in the preceding week. The large increases in this week reflected in part the fact that last year sales in the City of New York were reduced because of the closing of all business establishments on February 12 to avoid a fuel shortage, those in the City of Philadelphia were reduced because of a curtailment in public transportation service on February 11 and 12, and those in Pittsburgh were reduced because stores were closed on Feb. 12 owing to a power shortage. For the four weeks ended Feb. 22, 1947, sales rose 8% and for the year to date increased to 16%.

## Joint Labor Study Urged by Sen. Ives

A proposal has been made by a member of the Senate Labor Committee, Senator Irving M. Ives (R-N.Y.), who is a freshman in the national legislative body, that before Congress takes action on labor legislation a joint committee of both House and Senate members be set up to make a thorough study of the situation and hold separate private conferences with union and management heads. Mr. Ives, who is recognized as a labor relations expert, said, according to a Washington dispatch from the Associated Press, Feb. 22, that he believes a joint committee is needed because:

1. "There is not too much liaison" between the House and Senate Labor Committees. (In the House, Representative Hartley (R-N.J.), the Chairman, has announced there will be no action on labor legislation until the Senate moves. He contended that House labor bills always are butchered in the Senate.)

2. Management and labor are at loggerheads over what kind of legislation, if any, Congress should enact.

The New York Senator is reported to have stated that he thought that such a joint committee arrangement would make it possible for Congress to "work out a program helpful to everyone." Senator Ives said he thought the first thing to do "would be to get the Republicans together," because since the Republican party is in control of Congress it should show the way. He emphasized, however, that if a joint group is set up in Congress it should be bipartisan. "Labor legislation should never be on a partisan basis," he declared, "nor should any matter involving human relations." He expressed disappointment that union leaders who have testified thus far, including William Green, President of the A.F. of L., and Philip Murray, C.I.O. President, "have offered no ideas for the proper kind of labor legislation program which the people are demanding." But he said he does not go along with the stand of Senator Morse (R-Ore.), that if it comes to a choice between no legislation and bills which go too far, the bills should be adopted.

**Turkey—Parcel Post**

Postmaster Albert Goldman announced on Feb. 26 that the weight limit applicable to parcel post packages addressed to all places in Turkey-in-Europe and Turkey-in-Asia to which parcels may be sent has been increased from 22 pounds to 44 pounds per parcel. The advices added:

The postage rate applicable to such parcels has been changed, and a uniform rate of 22 cents for the first pound and 14 cents for each additional pound or fraction, now applies to all places in Turkey-in-Europe and Turkey-in-Asia to which parcels may be sent.

## Purchase Bonds on Merit, Says Babson

(Continued from first page)

to hold. Only a world spiritual awakening can prevent World War III. If this War III comes, some of these cities will surely be bombed and their bonds could drop to 50 cents on the dollar over-night. No, I don't want any of these non-taxable bonds.

2. Municipal bonds of small cities which defaulted about 15 years ago and were "re-organized" are risky to buy at present prices. Bonds of many Florida cities are illustrations of this group. These bonds were originally sold at par to pay 5%. Then they defaulted and their prices fell to 20 cents on the dollar or less. Then their interest was scaled down to 1-2-3-4%. Recently, these same bonds have sold at nearly par again. Yet, many of these cities are no better off fundamentally than they were ten years ago. Arcadia, Florida, is not paying her coupons on time and asks for another "re-organization." Probably other Florida cities will make the same demand. This could hurt all municipal bonds which were re-adjusted in the 30's.

3. Municipal bonds of high-grade medium-sized cities which are in a safe locality and have excellent credit should be a sound investment. These bonds should not default but, due to the great demand by rich people for "tax exempts," these bonds yield only 1% to 2%. Now, in view of the coming cut in income taxes, rich people will not be so crazy to buy them. Hence, even these best municipals will gradually sell off in price.

### What About Taxes?

Investors have lost more money in the long run by trying to save taxes than by paying them. My advice is to buy and sell on merits without thought of taxes. Don't buy questionable securities to save income taxes; don't refrain from taking profits for fear of paying a 25% profits tax.

Certainly in today's market it is better to buy good yielding taxable corporation bonds than to gamble in non-taxables of any group. Of these corporation bonds, I further prefer the industrial bonds of long-established companies rather than railroad bonds. Utility bonds are good; but their yield is low and they are liable to be called at anytime.

## Foreign Relief Restrictions Pledged

William L. Clayton, Under-Secretary of State for Economic Affairs, assured the House Committee on Foreign Affairs on Feb. 25 that the \$350,000,000 fund sought by the administration for relief in liberated countries after discontinuance of UNRRA activities would be administered under the strictest agreements to guard against its use for other than relief purposes. Members of the Committee, Associated Press Washington advices stated, had been inconsistent on the need for assurance that countries "under Russian domination" would be required to distribute relief without discrimination and under inspection of the American radio and press.

Mr. Clayton was reported to have stated that aid from the United States would be limited to Austria, Greece, Hungary, Italy, Poland and China. Yugoslavia and White Russia were not mentioned in the list. The Under-Secretary told the Committee that the \$350,000,000 sought represented approximately 57% of the minimum needs of the six countries. He expressed the opinion that the provisions of the relief agreements would be so "tough" that some countries might decline the aid.

## From Washington Ahead of the News

(Continued from first page)

money. My recollection is that that "reactionary" industrialists are wreaking irreparable damage to the economy. Some bright Washington correspondent who has a penchant for "meeting important people" has had some of his colleagues in to meet the labor leader in a clubby atmosphere where thinking men can exchange thoughts away from the uproar of labor-management conflict. In such a setting the labor leader puts forward his best manners and English and a philosophical attitude and you become convinced that any management that distrusts him is a fool. You forget that a few weeks later this quiet mannered fellow may be ordering his men to "go into the plant and drag those finks out and beat hell out of them."

Indeed, every one of these hush-hush affairs that I have attended is nothing more than an effort to get money. The Austrian theme had been rehearsed in the War Department. The department, in fact, had indirectly set up the gathering. Nothing was said by the general that he could not have said publicly to a committee of Congress. But it was far more effective to have a group of correspondents write beforehand about the grave situation and how much it cost.

At several of these parties more recently high brass have said bluntly that war with Russia is inevitable. And the correspondents have come away goggle-eyed and frightened lest the secret which they shared would escape them. It so happens that the matter of how much money the military establishment is to get is sharply to the fore in Congress, and a tremendous propaganda is waging that there must be no reduction in the military outlay. The military knows no more or less, of course, about the prospects of war with Russia than the thousands of other students cognizant of the situation.

Not all of the salons, however, have to do with foreign affairs. There was quite a flush of these anonymous source stories recently about a fear on the part of right thinking men that the Republicans were going to scuttle the Wagner Act by not giving the National Labor Relations Board enough money. Instead of any retrenchment here, it was contended, the appropriation should be doubled. An NLRB official had really let his hair down at one of these gatherings.

Occasionally you may see a spilling of ink about the high-mindedness and unadulterated Americanism of a certain labor leader and of his justified fears

in turn will need export markets and sources of imports on a larger scale than before the war to maintain high employment and high standards of living for a growing population. The tremendous productive capacity of the United States, greatly expanded in recent years, will provide an increasing margin of surplus for export as pent-up domestic needs are satisfied and industry gains momentum after the change-over from war to peace. The resulting industrial activity and employment will widen the United States market for the products of other nations. That is the way trade develops, in ever-widening areas of mutual advantage and two-way exchange. On the nourishment of trade, the United States has grown to a giant among nations.

"Development of world trade and prosperity at home are closely related. No nation can raise itself to the heights of prosperity by its own bootstraps. For all its wealth of natural resources and productive genius, the United States looks abroad for an increasing variety of imports and for expanding markets for its own products."

"Let us as a nation, therefore, give due recognition to the importance of world trade—now and for the future. The theme of World Trade Week this year is 'World Trade Unites Nations.' Though the organization of the United Nations, the world strives for a system of cooperation which will assure peace and security. Trade can do as much as any other single force to help cement this structure of world cooperation."

"I commend World Trade Week for special attention in this year of opportunity. The opportunity to build for peace, and to develop trade among nations, is here."

## Trading on New York Exchanges

The Securities and Exchange Commission made public on Feb. 26 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Feb. 8, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Feb. 8 (in round-lot transaction) total 2,932,227 shares, which amount was 17.49% of the total transactions on the Exchange of 8,383,500 shares. This compares with member trading during the week ended Feb. 1 of 2,692,238 shares, or 18.18% of the total trading of 7,402,850 shares.

On the New York Curb Exchange, member trading during the week ended Feb. 8 amounted to 660,325 shares or 16.42% of the total volume on that Exchange of 2,011,025 shares. During the week ended Feb. 1 trading for the account of Curb members of 667,830 shares was 18.24% of the total trading of 1,830,515 shares.

### Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members\* (Shares)

WEEK ENDED FEB. 8, 1947

A. Total Round-Lot Sales:		Total for Week	%
Short sales		\$406,700	
Other sales		7,976,800	
<b>Total sales</b>		<b>\$8,383,500</b>	
<b>B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:</b>			
1. Transactions of specialists in stocks in which they are registered—			
Total purchases		894,250	
Short sales		183,630	
Other sales		668,070	
<b>Total sales</b>		<b>851,700</b>	<b>10.41</b>
2. Other transactions initiated on the floor—			
Total purchases		180,100	
Short sales		51,900	
Other sales		216,830	
<b>Total sales</b>		<b>268,730</b>	<b>2.68</b>
3. Other transactions initiated off the floor—			
Total purchases		319,687	
Short sales		56,375	
Other sales		361,385	
<b>Total sales</b>		<b>417,760</b>	<b>4.40</b>
4. Total—			
Total purchases		1,394,037	
Short sales		291,905	
Other sales		1,246,285	
<b>Total sales</b>		<b>1,538,190</b>	<b>17.49</b>

### Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members\* (Shares)

WEEK ENDED FEB. 8, 1947

A. Total Round-Lot Sales:		Total for Week	%
Short sales		43,920	
Other sales		1,967,105	
<b>Total sales</b>		<b>2,011,025</b>	
<b>B. Round-Lot Transactions for Account of Members:</b>			
1. Transactions of specialists in stocks in which they are registered—			
Total purchases		167,520	
Short sales		14,445	
Other sales		146,605	
<b>Total sales</b>		<b>161,030</b>	<b>8.17</b>
2. Other transactions initiated on the floor—			
Total purchases		31,260	
Short sales		7,000	
Other sales		49,930	
<b>Total sales</b>		<b>56,930</b>	<b>2.19</b>
3. Other transactions initiated off the floor—			
Total purchases		151,885	
Short sales		5,500	
Other sales		85,780	
<b>Total sales</b>		<b>91,680</b>	<b>6.06</b>
4. Total—			
Total purchases		350,665	
Short sales		27,345	
Other sales		282,315	
<b>Total sales</b>		<b>309,660</b>	<b>16.42</b>
<b>C. Odd-Lot Transactions for Account of Specialists:</b>			
Customers' short sales		0	
Customers' other sales		208,129	
<b>Total purchases</b>		<b>208,129</b>	
<b>Total sales</b>		<b>92,338</b>	

\*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners. In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

†Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

‡Sales marked "short exempt" are included with "other sales."

**National Fertilizer Association Commodity Price Index Still Climbing**

During the week ended March 1, 1947 the weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on March 3, rose to an all-time high of 197.8 from the previous high point of 195.4 which was reached in the preceding week. A month ago the index stood at 189.4 and a year ago at 141.9, all based on the 1935-1939 average as 100. The Association's report continued as follows:

During the week six of the composite groups in the index advanced while two declined; the other three remained at the level of the previous week. In the foods group, prices for butter, bread, beans, and veal dropped but price rises for provisions, cocoa, coffee, meats, and oils caused the index to rise slightly. The index for the farm products group was 4.1% higher than for the previous week because of higher prices for cotton, grains, eggs, and livestock. Higher prices for leather, calfskins, cottonseed meal, and feedstuffs caused the index for the miscellaneous commodities group to rise. The building materials index rose slightly because of a rise in the price of glass. The index for fertilizer materials advanced slightly, as did that for farm machinery. Lower prices for finished

steel caused the metals index to drop, although higher prices were quoted for steel scrap and silver. The textiles index declined.

During the week 35 price series in the index advanced and 8 declined; in the preceding week 29 advanced and 13 declined; in the second preceding week 35 advanced and 8 declined.

### WEEKLY WHOLESALE COMMODITY PRICE INDEX Compiled by The National Fertilizer Association

1935-1939=100\*

Each Group Bears to the Total Index	Group	Latest Week Mar. 1, 1947	Preceding Week Feb. 22, 1947	Month Ago Feb. 1, 1947	Year Ago Mar. 2, 1946
25.3	Foods	222.2	220.4	211.1	140.5
	Fats and Oils	301.0	296.9	278.6	146.6
	Cottonseed Oil	387.5	387.5	387.5	163.1
23.0	Farm Products	251.4	241.6	229.4	172.0
	Cotton	324.4	320.8	300.8	252.3
	Grains	223.2	214.7	200.7	170.0
	Livestock	253.8	241.3	230.4	159.8
17.3	Fuels	159.4	159.4	157.6	126.5
10.8	Miscellaneous Commodities	157.8	155.6	153.6	133.9
8.2	Textiles	208.4	216.4	213.3	162.0
7.1	Metals	142.8	142.9	142.3	110.2
6.1	Building Materials	212.5	212.2	213.0	161.3
1.3	Chemicals and Drugs	155.3	155.3	154.7	127.2
.3	Fertilizer Materials	125.6	125.5	125.5	116.4
.3	Fertilizers	133.7	133.7	133.6	119.8
.3	Farm Machinery	126.3	124.3	124.3	105.2
100.0	All groups combined	197.8	195.4	189.4	141.9

\*Indexes on 1926-28 base were: March 1, 1947, 154.1; Feb. 22, 1947, 152.2; and March 2, 1946, 110.5.

## Electric Output for Week Ended March 1, 1947 19.9% Ahead of That for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimates that the amount of electrical energy distributed by the electric light and power industry for the week ended March 1, 1947, was 4,797,099,000 kwh., an increase of 19.9% over the corresponding week last year when electric output amounted to 4,000,119,000 kwh. The current figure also compares with 4,777,740,000 kwh. produced in the week ended Feb. 22, 1947, which was 21.8% higher than the 3,922,796,000 kwh. produced in the week ended Feb. 23, 1946. The largest increases were reported by the Southern States and Central Industrial groups which showed increases of 24.8% and 24.4%, respectively over the same week in 1946.

Major Geographical Division	PERCENTAGE INCREASE OVER SAME WEEK LAST YEAR				
	Mar. 1	Feb. 22	Feb. 15	Feb. 12	Feb. 1
New England	10.3	16.4	12.8	12.4	11.1
Middle Atlantic	12.3	14.3	13.6	Feb. 8	9.4
Central Industrial	24.4	30.8	29.3	30.3	29.4
West Central	16.5	17.0	16.7	14.7	13.7
Southern States	24.8	23.5	24.1	22.5	21.8
Rocky Mountain	10.5	7.6	7.0	8.0	9.0
Pacific Coast	21.7	19.9	19.4	19.1	22.8
Total United States	19.9	21.8	21.0	20.5	19.9

Week Ended	% Change				
	1946	1945	Over 1945	1944	1932
Dec. 7	4,672,712	4,096,954	+14.1	4,538,012	1,563,384
Dec. 14	4,777,943	4,154,061	+15.0	4,563,079	1,554,473
Dec. 21	4,940,453	4,239,376	+16.5	4,616,975	1,414,710
Dec. 28	4,442,443	3,758,942	+18.2	4,225,814	1,619,265

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended— 1947 1946 Over 1945 1944 1932 1929

Jan. 4 4,573,807 3,865,362 +18.3 4,427,281 1,602,482 1,733,810

## Non-Ferrous Metals—Lead Price Advanced to 15c, N. Y.—Copper Quotations Also Higher

"E. & M. J. Metal and Mineral Markets," in its issue of Feb. 27, stated: "The continued strength of the foreign market for lead, coupled with heavy demands for the metal from 'frightened' consumers, brought about another sharp advance in the quotation, establishing the selling basis here at 14c. a pound [further increased on March 3 to 15c. a pound, a new all-time high.—Ed.] Silver gained 5c. an ounce on continued buying from domestic and foreign sources. Bismuth, one of the minor metals, advanced to \$2 a pound, in ton lots. In copper, interest centered in possible early action by the Office of Metals Reserve in regard to releasing metal for next month from its stocks. Quicksilver declined \$1 per flask." The publication further went on to say in part as follows:

### Copper

The matter of settling the question of handling copper still in the government's possession was given special attention during the last week and the industry believed that a decision would be reached by March 3. Various proposals were made, including one that would place all of the government's surplus metal in one pool and release a reasonable tonnage for March at "average cost plus duty." Washington officials apparently wish to avoid taking any action that would tend to raise the price of copper.

Prices named during the last week in both domestic and foreign metal showed little change. The one seller continued to quote 20½c for domestic copper, with the rest of the industry at 19½c.

Pending clarification of the government's stand on releasing copper, most operators limited business to a minimum. [Effective March 1, the Reconstruction Finance Corporation raised its copper selling price to 21½c. This increase was matched by two major companies on March 3.—Ed.]

As in the preceding week, copper sold in the foreign market at prices ranging from 20½c to 21c, f.a.s. basis.

The January statistics of the fabricating division of the industry placed consumption at 139,263 tons, a new high for peacetime. December consumption of copper was revised downward from 131,432 tons to 124,432 tons. Fabricators had 393,451 tons of refined copper on hand as January ended.

### Lead

The price of lead advanced 1c per pound on Feb. 25, establishing quotations at 14c per pound, New York, and at 13.800c St. Louis. Producers did not like the idea of raising the price to this level, but found that metal ob-

tained from outside sources has been selling at a premium, and consumers were paying the equivalent of the new price in making purchases of foreign lead. In other words, the scramble for the metal has been increasing in intensity, with little regard for prices asked. [Some major sellers on March 3 increased the price further to 15c., New York.—Ed.]

The higher market is expected to bring out more lead from various sources, particularly scrap. Production of lead from scrap has been increasing since the beginning of the year.

Lead sales for the week amounted to 13,544 tons.

United States lead refinery statistics for January placed production at 44,422 tons, against 40,448 tons (revised) in December and a monthly average for 1946 of 38,299 tons, according to the American Bureau of Metal Statistics. Shipments from domestic refineries in January amounted to 44,343 tons, against 40,613 tons (revised) in December. The Office of Metals Reserve released 7,010 tons for January.

In addition to the above tonnages, consumers obtained lead from foreign sources imported privately. The supply of foreign lead available in January probably exceeded 10,000 tons.

### Zinc

The zinc market remained stable throughout the period of price excitement that followed the sharp uplift in lead and silver. Most producers regard the zinc supply as ample, though it is well known that a tight situation exists in certain grades, as Prime Western and Special High Grade. Possible permanent injury to the market because of growing competition with other metals also tends to keep the price situation in check.

Consumption of slab zinc in November amounted to 74,630 tons, against 79,894 tons in October, according to the Bureau of Mines. Galvanizers took 30,316 tons; zinc-base alloys 19,893 tons;

brass mills 13,446 tons; ingot makers and foundries 873 tons; rolling mills 7,783 tons; and others 2,319 tons.

### Tin

Meetings that took place during the last week between repre-

sents of the RFC and the Bolivian producers to discuss terms of sale on 1947 deliveries of tin concentrates resulted in a deadlock. Bolivian officials are holding out for 76c per pound of tin contained, f.o.b. South American ports. So far, the RFC has shown a willingness to make concessions on smelting charges, which would in effect give to the Bolivians the equivalent of a rise in the price of about one-third of the amount asked for.

The price situation in tin in the United States market was unchanged last week. Straits quality tin for shipment, in cents per pound, was nominally as follows:

	Feb.	March	April
Feb. 20	70.00	70.00	70.00
Feb. 21	70.00	70.00	70.00
Feb. 22	Haliday		
Feb. 24	70.00	70.00	70.00
Feb. 25	70.00	70.00	70.00
Feb. 26	70.00	70.00	70.00

Chinese, or 99% tin, 69.125c.

### Quicksilver

The market for quicksilver was unsettled, with sellers at \$86 to \$90 per flask, depending on quantity. Several sellers refused to quote less than \$87 per flask. Bids were noted at a little under \$86.

The fourth-quarter statistics were released by the Bureau of Mines on Feb. 25. Domestic production in the October-December period amounted to 6,150 flasks, against 6,500 flasks in the preceding quarter. General imports in the October-December period totaled 9,205 flasks, against 8,002 flasks in the July-September period. Consumption of quicksilver in the last quarter was estimated at 8,800 flasks, against 7,300 flasks in the third quarter.

### Silver

Buying of silver continued to expand, and the New York Official price advanced sharply, beginning Feb. 24, settling at 75¾c, or 5c higher than in the preceding week. Domestic consumers purchased the metal more freely, and a substantial volume of business was booked for foreign accounts. The growing currency complications abroad were thought to have been a factor so far as foreign buying was concerned. [It is reported that the price of silver was subsequently increased to 80½c. an ounce.—Ed.]

The London market advanced 4d on spot Feb. 25, following the upturn in the United States market. Forward silver was posted in London at 41½d.

## FIC Banks Place Debs.

A successful offering of two issues of debentures for the Federal Intermediate Credit Banks was made Feb. 19 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of \$26,980,000 1.10% consolidated debentures dated March 1, 1947, and due Sept. 2, 1947 and \$31,355,000 1.10% consolidated debentures, dated March 1, 1947, and due Dec. 1, 1947. Both issues were placed at par. Of the proceeds, \$24,035,000 were used to retire \$24,035,000 debentures, maturing March 1, 1947 and \$34,300,000 will be for new money purposes. As of March 1, 1947, the total amount of debentures outstanding stood at \$341,745,000.

## Moody's Daily Commodity Index

Tuesday, Feb. 25, 1947	411.5											
Wednesday, Feb. 26	409.3											
Thursday, Feb. 27	409.7											
Friday, Feb. 28	415.9											
Saturday, March 1	416.8											
Monday, March 3	418.2											
Tuesday, March 4	416.6											
Two weeks ago, Feb. 18	398.2											
Month ago, Jan. 18	382.5											
Year ago, March 4, 1946	270.9											
1946 High, Dec. 24	380.3											
Low, Jan. 2	264.7											
1947 High, March 2	418.2											
Low, Jan. 20	371.5											

\*These prices are computed from average yields on the basis of one "typical" bond (3½% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE—The list used in compiling the averages was given in the Sept. 5, 1946 issue of the "Chronicle" on page 1321.

## Moody's Bond Prices and Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES (Based on Average Yields)												
1947 Daily Averages	U. S. Govt. Bonds	Avge. rate*	Corporate by Earnings*	Corporate by Groups*	R. R. P. U. Indus.							
Mar. 4	122.20	117.20	122.09	120.02	117.00	110.52	112.75	118.20	120.84			
3	122.20	117.20	122.09	120.02	117.00	110.52	112.75	118.20	120.84			
1	122.20	117.20	122.09	120.02	117.00	110.52	112.75	118.20	120.84			
Feb. 28	122.20	117.20	122.09	120.02	117.00	110.52	112.75	118.20	120.84			
27	122.14	117.20	122.09	120.02	117.00	110.52	112.75	118.40	120.84			
26	122.08	117.20	122.09	120.02	117.00	110.52	112.75	118.40	120.84			
25	122.08	117.40	122.09	120.22	117.00	110.70	112.93	118.40	121.04			
24	122.11	117.40	122.09	120.22	117.20	110.70	112.93	118.40	121.04			
22												
21	122.14	117.40	122.09	120.22	117.20	110.70	112.93	118.40	121.04			
20	122.17	117.40	122.09	120.22	117.20	110.70	112.93	118.40	121.04			
19	122.17	117.40	122.09	120.22	117.00	110.70	113.12	118.40	121.04			
18	122.17	117.40	122.09	120.22	117.00	110.88	113.12	118.40	121.04			
17	122.17	117.40	122.09	120.22	117.00	110.88	112.93	118.40	120.84			
15	122.17	117.40	122.09	120.22	117.20	110.88	113.12	118.40	120.84			
14	122.20	117.40	122.09	120.22	117.20	110.88	113.12	118.40	120.84			
13	122.20	117.40	122.09	120.22	117.20	110.88	113.12	118.40	120.84			
12												
11	122.17	117.40	122.09	120.22	117.20</td							

## Daily Average Crude Oil Production for Week Ended Feb. 22, 1947, Increased 28,500 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Feb. 22, 1947, was 4,786,150 barrels, an increase of 28,500 barrels per day over the preceding week and a gain of 72,500 barrels per day over the corresponding week of 1946. The current figure also was 146,150 barrels in excess of the daily average figure estimated by the Bureau of Mines as the requirement for the month of February, 1947. Daily output for the four weeks ended Feb. 22, 1947, averaged 4,741,050 barrels. The Institute's statement adds:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,860,000 barrels of crude oil daily and produced 14,668,000 barrels of gasoline; 2,277,000 barrels of kerosene; 5,929,000 barrels of distillate fuel, and 8,542,000 barrels of residual fuel oil during the week ended Feb. 22, 1947; and had in storage at the end of the week 103,904,000 barrels of finished and unfinished gasoline; 11,697,000 barrels of kerosene; 40,739,000 barrels of distillate fuel, and 44,919,000 barrels of residual fuel oil.

### DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	B. of M. Calculated Requirements	State Allow- ables	Actual Production Week Ended Feb. 1	Change from Previous Week	4 Weeks Ended Feb. 22,	Week Ended Feb. 23, 1947	Week Ended Feb. 23, 1946
**New York-Penn.	48,200		47,950	+ 2,000	47,150	45,900	
Florida			250	-	250	100	
**West Virginia	8,200		7,700	+ 1,450	7,050	8,000	
**Ohio—Southeast	7,800		5,250	+ 200	5,350	4,200	
Ohio—Other			2,550	+ 700	2,300	3,200	
Indiana	18,000		17,700	+ 350	18,150	17,100	
Illinois	204,000		190,750	+ 3,550	192,500	211,000	
Kentucky	28,000		27,000	- 50	27,550	30,400	
Michigan	46,000		41,750	+ 2,350	41,900	45,300	
Nebraska	800		700	-	700	850	
Kansas	263,000	270,000	280,350	+ 19,700	275,550	253,650	
Oklahoma	370,000	371,700	370,050	- 100	368,300	390,050	
Texas							
District I			19,950	-	19,750	-	
District II			146,000	-	142,750	-	
District III			451,000	-	441,300	-	
District IV			223,250	-	219,050	-	
District V			36,450	-	35,750	-	
East Texas			328,200	-	321,400	-	
Other Dist. VI			106,100	-	104,450	-	
District VII-B			36,100	-	35,600	-	
District VII-C			32,650	-	31,400	-	
District VIII			467,650	-	466,750	-	
District IX			126,350	-	124,300	-	
District X			83,150	-	82,900	-	
Total Texas	2,030,000	2,042,500	2,056,650	-	2,025,400	2,109,250	
North Louisiana			94,400	-	200	94,250	82,000
Coastal Louisiana			310,300	-	311,150	288,850	
Total Louisiana	387,000	447,000	404,700	-	200	405,400	370,850
Arkansas	76,000	79,580	74,450	+ 350	74,000	77,500	
Mississippi	66,000		81,750	- 3,800	85,800	52,850	
Alabama	2,000		900	- 100	950	1,050	
New Mexico—So. East	98,000	110,000	103,400	-	103,300	98,000	
New Mexico—Other			500	+ 50	450	450	
Wyoming	93,000		111,700	+ 3,650	107,250	104,000	
Montana	23,000		24,200	+ 50	22,250	19,100	
Colorado	33,000		38,300	+ 400	36,800	24,450	
California	838,000	844,300	897,600	- 2,500	892,700	846,400	
Total United States	4,640,000		4,786,150	+ 28,500	4,741,050	7,713,650	
**Pennsylvania Grade (Included above)			60,900	+ 3,650	59,550	58,100	

\*These are Bureau of Mines calculations of the requirements of domestic crude oil based upon certain premises outlined in its detailed forecasts. They include the condensate that is moved in crude pipelines. The A. P. I. figures are crude oil only. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude inventories must be deducted, as pointed out by the Bureau, from its estimated requirements to determine the amount of new crude to be produced.

Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Feb. 20, 1947.

This is the net basic allowable as of Feb. 1 calculated on a 28-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and for certain other fields for which shutdowns were ordered for 6 to 12 days, the entire state was ordered shut down for 6 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 6 days shutdown time during the calendar month.

\*Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLIS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSINE, GAS OIL AND DISTILLATE FUEL OIL, WEEK ENDED FEB. 22, 1947

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis							
% Daily Refin'g Capac. Reportin	Crude Runs to Stillis	Product'n at Ref.	tStks. Unfin.	tStks. Gasoline	tStks. Kero-	tStks. Gas Oil & Dist.	Resid. Fuel Oil
District—							
East Coast	99.5	776	92.5	1,815	22,200	6,020	14,761
Appalachian—							
District No. 1	76.3	100	69.9	306	2,612	249	475
District No. 2	84.7	67	108.1	217	967	24	79
Ind., Ill., Ky.	87.4	809	93.0	2,686	21,041	1,273	2,925
Okl., Kans., Mo.	78.3	371	79.1	1,413	10,529	436	1,349
Mid. Atlantic	59.8	228	69.1	1,063	4,424	220	312
Texas Gulf Coast	89.2	1,156	94.3	3,420	15,808	1,637	7,058
Louisiana Gulf Coast	97.4	343	108.9	958	5,112	651	2,337
No. La. & Arkansas	55.9	65	51.6	188	2,362	258	449
Rocky Mountain—							
New Mexico	19.0	16	123.1	28	98	15	29
Other Rocky Mt.	70.9	124	75.2	440	2,843	60	490
California	85.5	805	81.0	2,134	15,908	654	10,475
Total U. S. B. of M. basis Feb. 22, 1947	85.8	4,860	87.4	14,668	103,904	11,697	40,739
Total U. S. B. of M. basis Feb. 15, 1947	85.8	4,737	85.2	13,962	103,048	12,813	42,793
Total U. S. B. of M. Feb. 23, 1947	4,629	--	12,911	110,921	8,095	26,086	39,321

\*Includes unfinished gasoline stocks of 8,395,000 barrels. †Includes unfinished gasoline stocks of 8,648,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §In addition, there were produced 2,277,000 barrels of kerosene, 5,929,000 barrels of gas oil and distillate fuel oil and 8,542,000 barrels of residual fuel oil in the week ended Feb. 22, 1947, as compared with 2,232,000 barrels, 5,290,000 barrels and 8,261,000 barrels, respectively, in the preceding week and 2,509,000 barrels, 5,745,000 barrels and 8,122,000 barrels, respectively, in the week ended Feb. 23, 1946.

## Weekly Coal and Coke Production Statistics

The total production of soft coal in the week ended Feb. 22, 1947, as estimated by the United States Bureau of Mines, was 13,030,000 net tons, compared with 12,350,000 tons in the preceding week and 12,625,000 tons in the corresponding week of 1946. The total output for bituminous coal and lignite for the current calendar year to Feb. 22 was estimated at 98,460,000 net tons, an increase of 3.2% over the 95,389,000 tons produced from Jan. 1 to Feb. 23, 1946.

Production of Pennsylvania anthracite for the week ended Feb. 22, 1947, as estimated by the Bureau of Mines, was 1,050,000 tons, an increase of 80,000 tons, or 8.2%, over the preceding week. When compared with the output in the corresponding week of 1946 there was a decrease of 87,000 tons, or 7.7%. The calendar year to date shows a decrease of 5.5% when compared with the corresponding period of 1946.

The Bureau also reported that the estimated production of beehive coke in the United States showed a decrease of 4,800 tons when compared with the output for the week ended Feb. 15, 1947; but was 44,700 tons more than for the corresponding week of 1946.

### ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE (In Net Tons)

	Week Ended	Jan. 1 to Date
Feb. 22, 1947	1947	1946
Total incl. coll. fuel	13,030,000	12,350,000
Commercial produc.	1,010,000	933,000
United States total	120,000	124,800
Bituminous coal & lignite	12,625,000	98,460,000
Commercial produc.	8,125,000	8,594,000
United States total	907,500	664,000
	565,700	565,700

\*Subject to current adjustment.

## Revenue Freight Car Loadings During Week Ended Feb. 22, 1947, Decreased 23,288 Cars

Loading of revenue freight for the week ended Feb. 22, 1947, totaled 776,689 cars, the Association of American Railroads announced on Feb. 27. This was an increase of 53,408 cars, or 7.4% above the corresponding week in 1946, and an increase of 4,293 cars, or 0.6% above the same week in 1945.

Loading of revenue freight for the week of Feb. 22, decreased 23,288 cars, or 2.9% below the preceding week.

Miscellaneous freight loading totaled 349,679 cars, a decrease of 10,783 cars below the preceding week, but an increase of 47,219 cars above the corresponding week in 1946.

Loading of merchandise less than carload freight totaled 110,146 cars, a decrease of 8,951 cars below the preceding week, and a decrease of 3,737 cars below the corresponding week in 1946.

Coal loading amounted to 182,420 cars, an increase of 3,485 cars above the preceding week, but a decrease of 1,766 cars below the corresponding week in 1946.

Grain and grain products loading totaled 49,050 cars, a decrease of 2,574 cars below the preceding week and a decrease of 2,670 cars below the corresponding week in 1946. In the Western Districts alone, grain and grain products loading for the week of Feb. 22 totaled 34,074 cars, a decrease of 2,868 cars below the preceding week and a decrease of 327 cars below the corresponding week in 1946.

Livestock loading amounted to 12,299 cars, a decrease of 1,021 cars below the preceding week and a decrease of 4,943 cars below the corresponding week in 1946. In the Western Districts alone loading of livestock for the week of Feb. 22 totaled 9,160 cars, a decrease of 685 cars below the preceding week, and a decrease of 4,005 cars below the corresponding week in 1946.

Forest products loading totaled 46,256 cars, a decrease of 3,541 cars below the preceding week, but an increase of 8,606 cars above the corresponding week in 1946.

Ore loading amounted to 12,636 cars, an increase of 403 cars above the preceding week and an increase of 5,348 cars above the corresponding week in 1946.

Coke loading amounted to 14,203 cars, a decrease of 306 cars below the preceding week, but an increase of 5,351 cars above the corresponding week in 1946.

All districts reported increases compared with the corresponding week in 1946 except the Southern and Southwestern and all reported increases over 1945 except the Allegheny and Southwestern.

	1947	1946	1945
Four weeks of January	3,168,397	2,883,863	3,003,655
Week of February 1	835,051	723,301	739,556
Week of February 8	767,481	713,240	755,832
Week of February 15	799,977	707,054	784,703
Week of February 22	776,689	723,281	772,396
Total	6,347,595	5,750,739	6,056,142

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Feb. 22, 1947. During this period 80 roads reported gains over the week ended Feb. 23, 1946.

### REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED FEB. 22

Railroads	Total Revenue Freight Loaded	Total Loads Received from Connections
Eastern District—		
Ann Arbor	1947	1946
Bangor & Aroostook	333	301
Boston & Maine	3,179	2,535
Chicago, Indianapolis & Louisville	6,930	6,467
Central Indiana	1,503	1,161
Central Vermont	31	39
Delaware & Hudson	940	955
Delaware, Lackawanna & Western	4,741	4,047
Detroit & Mackinac	6,644	6,570
Detroit, Toledo & Ironton	349	200
Detroit & Toledo Shore Line	2,693	1,562
Erie	447	268
Grand Trunk Western	10,570	9,542
Lehigh & Hudson River	4,736	3,060
Lehigh & New England	143	152
Lehigh Valley	626	2,009
Maine Central	7,126	7,064
Monongahela	3,089	2,660
Montour	6,312	5,678
New York Central Lines	2,996	2,854
N. Y., N. H. & Hartford	48,181	41,517
New York, Ontario & Western	8,293	8,985
New York, Chicago & St. Louis	919	796
N. Y., Susquehanna & Western	6,726	5,554
Pittsburgh & Lake Erie	359	338
Pere Marquette	5,638	3,815
Pittsburg & Shawmut	1,152	940
Pittsburg, Shawmut & Northern	371	302
Pittsburgh & West Virginia	973	757
Rutland	381	311
Wabash	5,909	5,881
Wheeling & Lake Erie	5,462	4,063
Total	154,179	135,934
Allegheny District—		
Akron, Canton & Youngstown	583	541
Baltimore & Ohio	39,555	36,943
Bessemer & Lake Erie	2,939	1,704
Cambridge & Indiana	1,509	1,679
Central R. R. of New Jersey	5,718	5,097
Cornwall	395	265
Cumberland & Pennsylvania	342	244
Ligonier Valley	110	30
Long Island	1,214	1,369
Penn-Reading Seashore Lines	1,387	1,454
Pennsylvania System	76,347	66,040
Reading Co.	12,991	11,411
Union (Pittsburgh)	18,440	6,359
Western Maryland	4,219	3,481
Total	165,749	136,617
Pocahontas District—		
Chesapeake & Ohio	32,447	31,327
Norfolk & Western	21,771	21,636
Virginian	4,683	5,154
Total	58,901	58,117

### Railroads

Southern District—	1947	1946	1945	1947	1946
Alabama, Tennessee & Northern	463	449	378	330	222
Atch. & W. P.—W. R. R. of Ala.	979	904	864	2,130	1,968
Atlantic Coast Line	15,985	15,721	15,513	10,013	10,596
Charleston & Western Carolina	4,117	4,626	3,742	4,317	4,517
Clinchfield	480	419	371	1,637	1,575
Columbus & Greenville	1,918	1,768	1,762	3,941	3,616
Durham & Southern	411	428	225	403	327
Gainesville Midland	85	90	115	782	759
Georgia	81	61	35	94	154
Georgia & Florida	1,130	1,099	811	2,352	2,179
Gulf, Mobile & Ohio	414	450	398	807	857
Illinois Central System	25,674	27,821	27,828	15,227	14,732
Louisville & Nashville	27,798	27,191	26,619	10,627	9,549
Macon, Dublin & Savannah	235	280	190	924	1,079
Mississippi Central	396	323	381	465	390
Nashville, Chattanooga & St. L.	3,313	3,383	3,340	4,159	4,095
Norfolk Southern	1,101	1,346	833	1,770	1,594
Piedmont Northern	334	433	463	1,635	1,556
Richmond, Fred. & Potomac	377	391	400	7,520	9,260
Seaboard Air Line	9,361	11,853	10,404	8,022	7,973
Southern System	26,142	25,433	23,905	25,537	24,497
Tennessee Central	642	617	664	989	972
Winston-Salem Southbound	137	138	131	874	1,018

Railroads	Total Revenue Freight Loaded	Total Loads Received from Connections
<b>Total</b>	<b>130,411</b>	<b>134,591</b>
<b>Northwestern District—</b>	<b>130,411</b>	<b>134,591</b>
Chicago & North Western	15,610	16,639
Chicago Great Western	2,342	2,616
Chicago, Milwaukee, St. P. & Pac.	22,360	20,872
Chicago, St. Paul, Minn. & Omaha	3,711	3,679
Duluth, Missabe & Iron Range	1,383	1,022
Duluth, Sault Ste. Marie & Atlantic	617	613
Elgin, Joliet & Eastern	9,101	3,437
Ft. Dodge, Des Moines & South	331	452
Great Northern	9,526	11,515
Green Bay & Western	455	545
Lake Superior & Ishpeming	334	298
Minneapolis & St. Louis	2,022	2,311
Minn., St. Paul & S. M.	4,843	5,055
Northern Pacific	8,652	9,160
Spokane International	177	120
Spokane, Portland & Seattle	1,895	1,909
<b>Total</b>	<b>83,429</b>	<b>80,243</b>
<b>Central Western District—</b>	<b>83,429</b>	<b>80,243</b>
Atch., Top. & Santa Fe System	25,246	22,364
Alton	3,000	2,915
Bingham & Garfield	210	6
Chicago, Burlington & Quincy	19,159	21,065
Chicago & Illinois Midland	3,286	3,313
Chicago, Rock Island & Pacific	10,850	12,113
Chicago & Eastern Illinois	2,768	2,800
Colorado & Southern	521	640
Denver & Rio Grande Western	3,707	2,852
Denver & Salt Lake	789	663
Fort Worth & Denver City	1,279	827
Illinois Terminal	2,409	2,178
Missouri-Illinois	831	921
Nevada Northern	1,639	1,486
North Western Pacific	764	502
Peoria & Pekin Union	17	14
Southern Pacific (Pacific)	28,577	25,238
Toledo, Peoria & Western	49	0
Union Pacific System	17,785	15,858
Utah	1,140	889
Western Pacific	1,227	1,468
<b>Total</b>	<b>125,253</b>	<b>118,115</b>
<b>Southwestern District—</b>	<b>125,253&lt;/b</b>	

## Items About Banks, Trust Companies

Robert G. Hogg has been appointed assistant agent at the New York agency of The Dominion Bank. Mr. Hogg joined the bank in Toronto in 1926 and came to the New York office in 1928.

Lafayette National Bank of Brooklyn in New York announces that Harry D. Papenmeyer is now associated with the institution in a representative capacity. Mr. Papenmeyer is a life-long resident of Brooklyn and was formerly Vice-President and Cashier of the Flatbush National Bank of Brooklyn.

The New York State Banking Department approved on Feb. 18 a certificate authorizing an increase in the capital stock of the Huguenot Trust Co. of New Rochelle, N. Y., from \$329,200, consisting of 52,800 shares of preferred stock of the par value of \$1.50 each, and 25,000 shares of common stock of the par value of \$10 each to \$355,600, consisting of 52,800 shares of preferred stock of the par value of \$2 each, and 25,000 shares of common stock of the par value of \$10 each.

As of Feb. 14, the First National Bank of Poughkeepsie, N. Y. (capital \$500,000) and the Vassar Bank of Arlington, Town of Poughkeepsie (capital \$75,000) were consolidated, effective Feb. 17, under the title of the First National Bank of Poughkeepsie, with common capital stock of \$567,500 in shares of 28,375, par \$20 each, and surplus of \$567,500. These advices were contained in a bulletin recently issued by the Office of the Comptroller of the Currency.

Ellsworth H. Rosser, Assistant Secretary at Rochester Trust office of the Lincoln Rochester Trust Co. of Rochester, N. Y., celebrated his 30th anniversary with the bank on March 1, it is learned from the Rochester "Times Union" of March 1, which also stated:

Mr. Rosser joined the old Rochester Trust and Safe Deposit Co. March 1, 1917, and advanced through the positions of clearing house clerk, bookkeeper, teller and assistant secretary. At the close of business yesterday a surprise party was held in his honor in the bank's dining room. Vice-President George H. Hawks presided.

Mr. Rosser is the second member of the bank's organization so honored within a week. Wednesday afternoon at the Lincoln office friends of Elliott T. Dietz, one of the assistant managers of the office gathered to celebrate his 35th anniversary with the bank.

Directors of the Chelsea Trust Co. of Chelsea, Mass., at their regular meeting on Feb. 25 voted unanimously to recommend to the stockholders a plan for merger with the National Shawmut Bank of Boston, Louis R. Kiernan, President of the trust company, disclosed. This was noted in the Boston "Herald" of Feb. 26, which further said:

The proposal calls for the assumption of the deposit liabilities and the purchase of all assets of the trust company by the Shawmut Bank.

The present board of directors will remain actively associated with the Chelsea office as an advisory committee, and all present personnel will become a part of the Shawmut organization, Mr. Kiernan said.

According to the Providence, R. I., "Journal" of March 1 the trustees of the Savings Bank of Newport, R. I., announced on Feb. 28 the creation of two additional officers effective as of March 1. They are Assistant Treasurer and Auditor Charles E. Livesy and Assistant Secretary and Mortgage Officer John H. Hodgson. As a result of the additions, says the "Journal," the bank now has two Assistant Treasurers as compared to one formerly. Election of the two officers was held at a special meeting of the trustees.

An increase in the capital of the Phenix National Bank of Providence, R. I., in the amount of \$50,000, raising the capital from \$450,000 to \$500,000, effective Feb. 17, is announced by the Comptroller of the Currency's office.

The stockholders of the Kensington National Bank of Philadelphia have approved the sale of the bank's assets to the Pennsylvania Company for Insurances, effective March 15, it is learned from the Philadelphia "Inquirer" of Feb. 28. Germantown Trust Co. stockholders will vote March 8 on the merger plans. It is reported that at the coming meeting of the stockholders of the Pennsylvania Company plans to change its name to the shorter title of Pennsylvania Company for Banking and Trust will be acted upon.

Promotion of Peter Wylie from the post of Cashier to that of Vice-President of the National Bank of Germantown & Trust Co. of Philadelphia was announced on March 1 by Glenn K. Morris, President, it was stated in the Philadelphia "Inquirer" of March 2 from which we also quote:

Elections of M. H. Callender, formerly Treasurer of Germantown Trust Co., as cashier, and Nelson W. Jones as an Assistant Cashier also were announced.

Mr. Wylie has been with National of Germantown for 24 years. His appointment fills vacancy caused by death of Edward Meadowcroft. Mr. Callender has been Treasurer of Germantown Trust for last three years. Nelson W. Jones has been associated with the bank for last 16 years.

Effective Feb. 18, the First National Bank of Roanoke, Va., increased its capital from \$1,200,000 to \$1,600,000 by the sale of \$400,000 of new stock, according to the Feb. 24 Bulletin of the Office of the Comptroller of the Currency.

The issuance of a charter on Feb. 14 for the Union National Bank of East St. Louis, Ill., with a capital of \$300,000, all common, was reported in the Feb. 24 Bulletin of the Comptroller of the Currency. The bank, it is indicated, represents a conversion of the Union Trust Co. of East St. Louis, the change having become effective Feb. 17. Paul A. Schlafly is President of the bank and Frank J. Shay is Cashier.

Formal consolidation was scheduled to take place on March 3 of the Crocker First National Bank of San Francisco, Calif., and Farmers and Merchants Savings Bank of Oakland, two of the oldest banks in the San Francisco Bay Area. The banking business of Farmers and Merchants Savings Bank of Oakland will be continued under the name Crocker First National Bank. Plans for the consolidation were noted in our issue of Feb. 27, page 1180.

Wm. W. Crocker, President of the Crocker First National Bank, announced that George W. Hall, Vice-President, will assume charge of Oakland operations. Mr. Hall has been with the bank for 32 years. C. William Brown, Assistant Cashier, has been named manager of the Oakland Real Estate Loan Department. Mr. Brown has been associated with Crocker First National Bank for 33 years. Mr. Crocker also announced that officers of Farmers and Merchants Savings Bank who will remain with Crocker First National Bank, Oakland, include F. C. Martens, J. Harold Brown, John Campe, V. F. Obermuller and F. C. Wheeler.

Farmers and Merchants Savings Bank was incorporated in 1892 under the laws of the State of California and remained a state bank for the entire period of its existence. As of Dec. 31, 1946, the bank, it is stated, had deposits of \$29,500,618 and total resources of \$30,000,000.

Crocker First National Bank of San Francisco was established in 1870. Both James K. Moffitt, Chairman of the board of directors, and Wm. W. Crocker, President, are direct descendants of the founders of the parent institutions of the present bank. Mr. Moffitt is the son of James K. Moffitt, one of the founders of the First National Gold Bank of San Francisco, and Wm. W. Crocker, who succeeded his father, the late Wm. H. Crocker, as President of the bank in 1936, is the grandson of Charles Crocker, one of the founders of Crocker, Woolworth & Co., a private banking concern whose influence still endures both in the name and business principles of the institution. In making the announcement of the consolidation, Mr. Crocker pointed out that the establishment of banking facilities by Crocker First National Bank in Oakland is a logical step. He also said that "while Farmers and Merchants Savings Bank has heretofore conducted a savings account banking business only, it is our intention to immediately broaden present facilities to include every banking service."

### Ashenbrener Named For CED Committee

William Ashenbrener of the American Bank & Trust Co. of Racine, Wis., has been appointed Wisconsin State Vice-Chairman for Banking and Finance of the Committee for Economic Development, it was announced here in New York on Feb. 27 by Walter Fuller, President of the Curtis Publishing Co. and Chairman of the newly formed CED National Information Committee. Mr. Ashenbrener's appointment as Vice-Chairman representing banking and finance follows the Wisconsin CED plan of having leading men in industrial, commercial and financial fields named to serve in such capacity on a statewide basis. He formerly was President of the Wisconsin Bankers Ass'n, and is now a member of the Small Business Credit Commission of the American Bankers Assn. In accepting appointment as State Vice-Chairman he expressed belief that the nation's bankers can be constructively helpful in educational programs such as that which is being carried on by CED through its national research and policy committee and its research staff. Mr. Ashenbrener said:

It will be my objective to enlist the interest of Wisconsin business men and others who wish to associate themselves in a common effort to bring about a better understanding of the facts and principles underlying the nation's economic problems. CED publications discussing these problems and suggesting their solutions will be made available to all who are interested.

### New York Banks and Trust Companies Not Empowered to Sell Transportation

The authority of a bank or trust company in New York State to act as sub-agent for the sale of passenger transportation was the subject of a recent ruling by State Attorney General Nathan L. Goldstein. In reciting the provisions of the Banking Law, the Attorney General noted that Section 96 of the Law, "defining the powers of banks and trust companies does not include a specific grant of power to engage in the sale of transportation"; he added that Subdivision 1 of that section, however, "concludes with a grant of power to 'exercise all such incidental powers as shall be necessary to carry on the business of banking'."

According to the Attorney General, "authority for a bank or trust company to engage in the sale of transportation would . . . have to be found in the determination that such power is necessary to carry on the business of banking," and he sets forth as his view that "I do not consider a determination that such power is 'necessary' to the exercise of banking powers a justifiable one."

The ruling of the Attorney General was conveyed to New York State Superintendent of Banks Elliott V. Bell under date of Jan. 20, and made available by the Banking Department on Feb. 21. In conclusion Mr. Goldstein said:

"I see no exigency requiring the implied power to sell transportation to be read into the Banking Law by implication. If such a power is found desirable for the existence or prosperity of banks, it is a matter for legislation by amendment to the Banking Law."

In part we quote as follows from the opinion of the Attorney General to Superintendent Bell:

Your letter of Sept. 23, 1946, asks my opinion as to whether a New York State bank or trust company has the power to act as sub-agent for transatlantic steamship companies in the sale of ship, rail or air passenger transportation. You state that it has recently come to your attention that various New York State banks and trust companies in the New York City area have for some time been acting as sub-agents for such companies in the sale of passenger transportation and have made or are contemplating making similar arrangements for the sale of air and rail transportation. You note that such arrangements are for profit and as a part of the banks' regular business.

Section 96 of the Banking Law, defining the powers of banks and trust companies, does not include a specific grant of power to engage in the sale of transportation. Subdivision 1 of that section concludes, however, with a grant of power to "exercise all such incidental powers as shall be necessary to carry on the business of banking." The subdivision in which this is a final clause grants the power:

"To discount and negotiate promissory notes, drafts, bills of exchange and other evidences of debt; buy and sell exchange, coin and bullion; lend money on real or personal security; receive deposits of moneys, securities or other personal property from any person or corporation upon such terms as the bank or trust company shall prescribe; and exercise all such incidental powers as shall be necessary to carry on the business of banking."

Subdivision 9, the last subdivision of Section 96, is a grant of powers to banks and trust companies:

"To exercise such of the powers conferred by the general and stock corporation laws as shall be necessary in conducting the business of a bank or trust company."

Authority for a bank or trust company to engage in the sale of transportation would, therefore, have to be found in the de-

termination that such power is "necessary to carry on the business of banking" (subd. 1), or that it is "necessary in conducting the business of a bank or trust company" (subd. 9).

I do not consider a determination that such power is "necessary" to the exercise of banking powers a justifiable one.

### Gov. Dewey Signs Bill For 5-Day Bank Week In New York State

The five-day work week for a large number of the 60,000 bank employees in New York State will become a reality within the next few weeks as banks in various communities act to take advantage of the permissive year-around Saturday closing legislation recently enacted by the State Legislature, and signed by Gov. Dewey on Feb. 24.

In commenting on the action of the Legislature, Chester R. Dewey, President of the New York State Bankers Association, pointed out that the measure approved by both houses of the Legislature, requires that boards of directors of banks desiring to close on Saturdays must adopt resolutions authorizing such action. He stated that many banks throughout the State were preparing to follow that procedure. He added that banks planning to close on Saturdays must allow sufficient time to advise their domestic and foreign customers and correspondents so they may plan their remittances accordingly. Also, it will be necessary for individuals and corporations customarily doing their banking on Saturday to make any arrangements required.

It is noted that the New York Clearing House has already recognized the necessity for some reasonable lapse of time after the passage of the bill by stating that its member banks will probably fix a date early in April when Saturday closing will take effect.

The measure approved by the New York Legislature was introduced by Assemblyman D. Mallory Stephens, of Putnam County, and was strongly supported by the Committee on Legislation of the State Bankers Association, of which Frederic E. Worden, President, National Bank of Auburn, is Chairman. The bill was passed by the Assembly on Feb. 10 and by the Senate on Feb. 11 by a vote of 51 to 1. The support of the State Bankers Association, Mr. Dewey indicated, was an extension of the effort initiated by the Association in 1939 when it successfully supported the permissive legislation which enabled banks to close on Saturdays during July and August. In 1940 the Association supported a bill which extended the Saturday closing period from June 30 to Labor Day. During the 1946 session of the Legislature the Association, reflecting the desire of a majority of its members, went on record in favor of the bill permitting Saturday closings during the four months, June to September inclusive.

In New Jersey Gov. Alfred E. Driscoll on Feb. 24 signed, reluctantly, it is stated, a bill permitting year-round closing of banks in that State on Saturdays. The newly enacted law does not require banks to close on that day, but is in the nature of permissive legislation.